
London Borough of Sutton

Pension Fund Annual Report 2024/25



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1. HIGHLIGHTS

£979m
Pension Fund Value
(23-24 £924m)

67
Employers

£45.7m
Contributions received
(23-24 £42.1m)

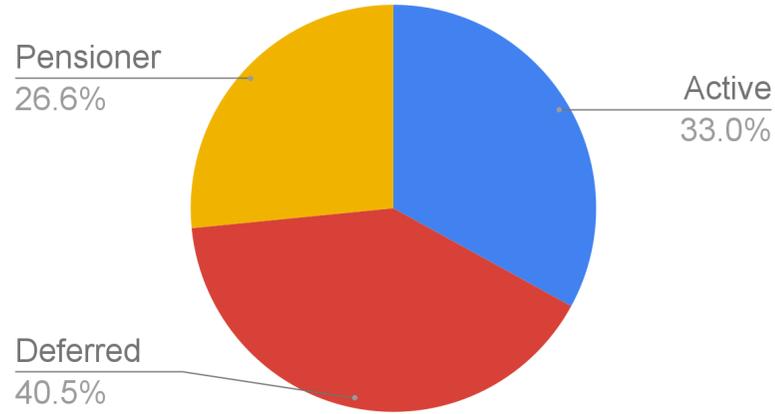
£42.6m
Benefits paid
(23-24 £34.7m)

111%
Indicative funding level
(101% 2022 Triennial Valuation)

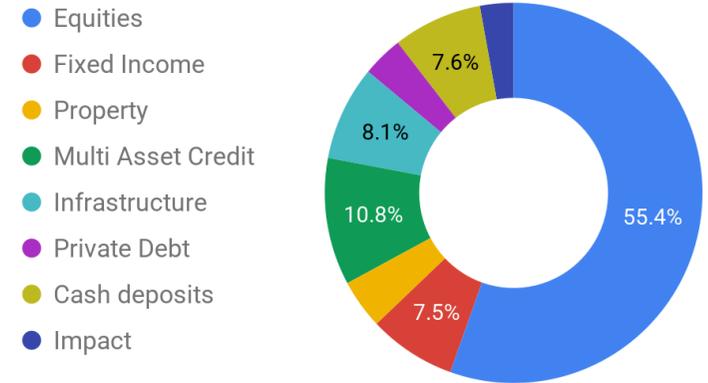
84%
Investments pooled with LCIV

£1.4m
5 year fee savings achieved through pooling

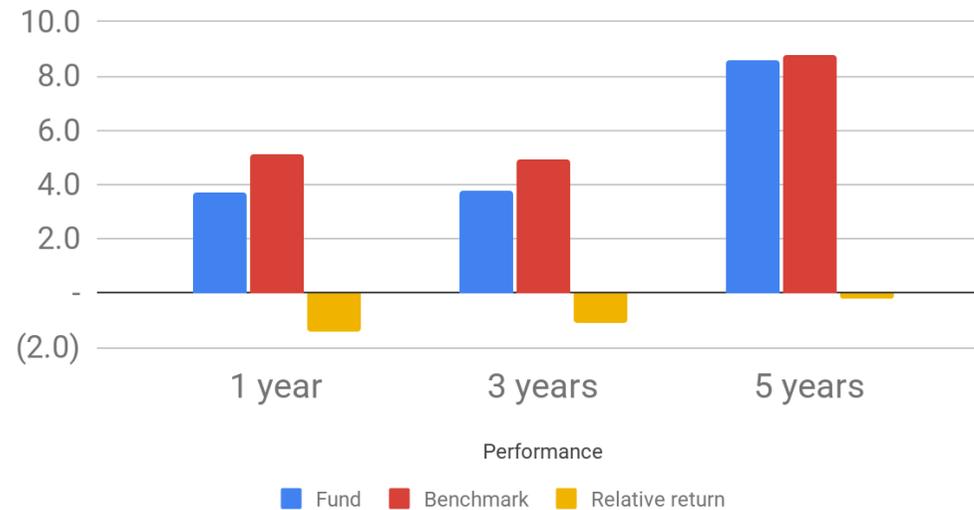
Membership Type 2024/25



Sutton's Asset Allocation at 31/03/25



Investment Performance over 1, 3 and 5 years



2. INTRODUCTIONS



PENSION COMMITTEE CHAIR'S INTRODUCTION

Welcome to the Annual Report for Sutton's Pension Fund (the 'Fund') for the year ended 31 March 2025. This has been produced to provide elected members, Fund members, employers and other interested parties with information concerning the administration and performance of the Fund during the financial year 2024/25.

The year signalled a number of significant changes for the Local Government Pension Scheme (LGPS). The new government carried out a landmark review of the pensions sector including the LGPS, which set out to boost investment in UK growth, increase saver returns, and tackle waste in the pension system. Leading on from this, a further consultation called "Fit for the Future" set out key changes for the LGPS in three main areas; reforming of asset pools, boosting investing locally in the UK and strengthening governance arrangements for both LGPS administering authorities and LGPS pools. The outcome of the review was published in May 2025 and confirmed that LGPS funds are required to transfer all assets to their respective pools by 31 March 2026.

It's good to know that our Fund is already in a strong position, given that 84% of investment assets were pooled at the end of March 2025. Officers have been working with London CIV, the Fund's chosen pool, in order to plan for the transition of the remaining assets and there is much to be done over the coming year to implement all of the changes necessary to meet the requirements of the review.

Despite high inflation and interest rate hikes prompting an unsettled global marketplace during much of 2024/25 the total value of the Fund's net assets increased from £924m at the end of March 2024 to £979m at the end of March 2025. In terms of performance, the Fund returned 3.7% over the year, which was just ahead of the PIRC local authority average one year return across all LGPS funds at 3.4%. The Fund also performed ahead of average over the five and ten year periods.

The Fund is committed to being a responsible investor and continues to maintain a focus on Responsible Investment (RI) and developing its approach in this area. Members of the Pension Committee and Board attended an RI training and engagement session in September 2024 and following this, an updated RI Policy for the Fund was then produced and approved at the Committee's October meeting. The Fund is working closely with the LCIV to progress asset transition plans, alongside careful consideration of future RI developments.

One of the Fund's most important risk management exercises is the triennial valuation, which is undertaken with the Fund's actuary and determines the Fund's funding level and employer contribution rates for the next three years. Work on the 2025 valuation began during the year

and is now nearing the final stages. The Fund's previous valuation was undertaken in 2022 and established a funding level of 101%. Since then there has been a significant shift in the economic environment, with many LGPS funds now reporting funding surpluses and our Fund expects to be similarly positioned.

At the end of March 2025 membership of the Fund stood at approximately 19,100 across 67 employers. During the year the Pensions Administration team successfully embedded new ways of working that have significantly reduced processing backlogs, improved efficiency and ensured that robust data has been available for the triennial valuation. Notable progress has been made on a number of important projects during the year, including the Guaranteed Minimum Pension (GMP) Reconciliation, McCloud Remedy and the national Pensions Dashboard. The GMP Reconciliation project was completed in February 2025.

Looking ahead to 2025/26, as well as continuing to deliver core pension services, some of the main priorities for the Fund will be to finalise the triennial valuation, carry out an investment strategy review, produce a new RI Policy and work alongside the LCIV to continue meeting the requirements of the government's reforms to the LGPS.

I would like to extend my thanks to my fellow committee and board members and our officers for their support over the last year.

Councillor Cryss Mennaceur
Chair of the Pension Committee



PENSION BOARD CHAIR'S INTRODUCTION

I am pleased to join Councillor Mennaceur in presenting the Pension Fund Annual Report.

2024/25 marks the Pension Board's tenth year. The Board helps the Fund comply with the Local Government Pension Scheme (LGPS) rules, pensions legislation and guidance from The Pensions Regulator. In its operation, the Board seeks to complement the Pensions Committee and add value to the Fund by providing scrutiny of the Fund's investment performance, asset allocation and compliance with its Responsible Investment Policy and providing detailed scrutiny of administration performance.

During 2024/25, the Board continued to focus on areas of administration performance that have faced significant challenges in recent years. The Board has been pleased to highlight a notable reduction in backlogs achieved during the year. Once improvement plans have been fully implemented, the Board is keen to engage with officers and the Committee in a discussion on the medium to longer term view of the performance of the service.

Another key area of focus for the Board has been on the risk management arrangements and reporting for the Fund. Following scrutiny by the Board, officers substantially redesigned the reporting of the risk register, enabling the Committee and the Board to focus in on areas of higher residual risk and where there has been a change in the residual risk level.

Throughout the year, the Board received updates on key projects, including the McCloud Remedy, GMP Reconciliation and Pension Dashboard. Scrutiny was also given to quarterly investment performance returns, the Fund's cashflow, Business Plan and budget, annual report and accounts, triennial valuation preparation, pension reforms and the role of the London CIV.

I would like to express my thanks to the members of the Board for their continued work and support.

Jonathan Bunt
Chair of the Pension Board

3. OVERALL FUND MANAGEMENT

Fund Management and Advisers

Administering Authority

London Borough of Sutton

Supporting Officers

Richard Simpson, Strategic Director – Resources (Lead Officer for the Pension Fund)

Victoria Goddard, Director, Finance

Andrien Meyers, Head of Pensions Investments (up to August 2024)

Katherine Gray, Head of Pensions Investments and Treasury (from September 2024)

Nick Weaver, Head of Pensions Administration (up to May 2024)

Tom Taylor, interim Head of Pensions Administration (from November 2024)

Lisa Doswell, Pensions Finance and Investment Manager

Kirsty Clubb, Senior Finance Lead - Pensions Investments and Treasury

Tom Taylor, Pensions Team Leader Employer Liaison and Governance (up to November 2024)

Scheme Administrators

Sutton and Kingston Shared Service

Asset Pool

London Collective Investment Vehicle (LCIV)

Investment Managers:		
Equities (Active)	Equities (Passive)	Infrastructure
Newton (LCIV)	Legal & General	Partners Group
RBC (LCIV)	State Street (LCIV)	BlackRock, Stonepeak, Quinbrook, and Foresight (LCIV)
Property	Fixed Income	Diversified Growth
BlackRock	Legal & General	Baillie Gifford (LCIV)
LaSalle		
Invesco		
Impact	Multi Asset Credit	Private Debt
CBRE & Octopus (LCIV)	M&G Alpha Opportunities	Pemberton & Churchill (LCIV)
LPPI (LCIV)	CQS & PIMCO (LCIV)	
Investment Adviser	Benefits Consultant	Actuary
Mercer	AON	Hymans
Performance Monitoring	Custodian	Auditor
Mercer and PIRC	Northern Trust	KPMG
Legal Advisor	AVC Providers	Bank
South London Legal Partnership	Clerical Medical and Utmost	Lloyds Bank

4. FINANCIAL PERFORMANCE

Fund Income and Expenditure From 2020/21 to 2024/25

Income and expenditure of the Fund over the past five years is shown in the table below.

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Contributions receivable	44,080	36,896	37,201	49,086	73,747
Benefits payable	(33,243)	(50,632)	(35,197)	(38,039)	(55,051)
Net payment to/(from) the Fund	10,837	(13,736)	2,004	11,047	18,696
Fund management expenses	(6,510)	(6,571)	(7,822)	(6,096)	(5,294)
Net returns on investment	11,785	9,344	15,383	16,965	16,536
Change in market value	156,201	53,419	(53,823)	91,525	24,999
Net (decrease)/increase in the Fund	172,313	42,456	(44,258)	113,441	54,937

The table above indicates that the Fund's value has increased by £338.9m over the past five years. This growth results from a net change in market value and investment income (after fund management expenses) of £310.0m, along with net payments to the Fund amounting to £28.8m during this period. Excluding transfers in/out, contributions to the fund have consistently exceeded the benefits paid out on an annual basis so far; however, this situation may change as the number of retirees increases. Throughout this period, the Fund's management expenses have been covered by net investment income. Further details will be provided later.

Analysis of Contributions and Benefits of the Fund

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Contributions Receivable					
- Members	7,006	7,562	8,184	9,032	9,602
- Employers	33,760	25,669	25,156	33,069	36,075
- Transfers in	3,314	3,665	3,861	6,985	28,070
Total Contributions	44,080	36,896	37,201	49,086	73,747
Benefits Payable					
- Pensions	(23,659)	(26,221)	(27,680)	(30,397)	(33,558)
- Lump sum retirements and death benefits	(3,910)	(3,972)	(4,456)	(4,257)	(9,042)
- Transfers out	(5,584)	(20,281)	(2,973)	(3,276)	(12,327)
- Refunds	(90)	(158)	(88)	(109)	(124)
Total Benefits Payable	(33,243)	(50,632)	(35,197)	(38,039)	(55,051)
Net Payment to / (from) the Fund	10,837	(13,736)	2,004	11,047	18,696

The table above shows that transfers into the Pension Fund for 2024/25 totalled £28,070k, primarily from small transfers of individuals from other organisations. A bulk transfer of £12,500k from Croydon Council for Idverde the Council's ground maintenance provider, was also received. Transfers out of the Fund amounted to £12,327k, with the increase due to progress in clearing a backlog of cases.

Analysis of Fund Management Expenses

The costs of managing the Pension Fund are split into three areas; administration costs, investment management expenses and oversight and governance costs. These costs incurred over the last five years are shown in the table below.

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Administration Cost					
Internal support costs	822	1,038	1,374	1,080	1,249
Sub-total Administration Costs	822	1,038	1,374	1,080	1,249
Investment Management Expenses					
Management fees (including performance fees)	4,049	4,301	4,706	4,583	3,210
Transaction costs	1,401	837	1,318	240	553
Custodian	38	106	100	8	15
Sub-total Investment Management Expenses	5,488	5,244	6,124	4,831	3,778
Oversight and Governance Costs					
Actuarial fees	46	17	37	31	91
External audit	34	35	41	69	143
Consultancy fees	83	52	4	37	-
Other	37	185	241	48	33
Sub-total Oversight & Governance Costs	200	289	324	185	267
Total Fund Management Expenses	6,510	6,571	7,822	6,096	5,294

Investment management expenses are calculated as a percentage of the market value of the portfolio, meaning they increase as the Fund's value rises. The Fund invests in pooled investment vehicles, most of which do not invoice their fees separately; instead, fees are deducted directly from the Fund's asset value. Starting in the 2023/24 period, the investment management fees now only include actual charges incurred by the fund, excluding any notional costs that are not borne by the Fund. This change has resulted in a reduction in reported fees.

Overall, in 2024/25 the cost of managing the Fund represents approximately 0.5% of the value of the Fund.

Costs per member

	2020/21	2021/22	2022/23	2023/24	2024/25
Membership Number	15,094	16,769	17,494	18,528	19,129
Cost per member					
Administration costs	54	62	79	58	65
Investment Management costs	364	313	350	261	198
Oversight and Governance costs	13	17	18	10	14
Total Fund costs per member	431	392	447	329	277

Current Assets / Liabilities

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Current Assets	6,755	15,216	21,097	17,097	18,806
Current Liabilities	(2,129)	(18,034)	(18,130)	(2,151)	(1,849)
Net Current Assets	4,626	(2,818)	2,967	14,946	16,957

Current assets consist of cash in the Fund's bank account and income due to the Fund at the end of each year from contributions made by admitted bodies or pending transfers from other pension funds.

Current liabilities include outstanding fund expenses at year-end, including cash owed to the London Borough of Sutton Council for previous transactions.

5. INVESTMENT POLICY AND PERFORMANCE REPORTING

Investment Background 2024-25

Macro (Big Picture)

In the second quarter of 2024, inflation in most developed countries started to slow down and move closer to the targets set by central banks. This encouraged central banks to consider easing their monetary policies. The European Central Bank (ECB) lowered interest rates in June. In the US, inflation was cooling, and the job market was softening, which led bond markets to expect two interest rate cuts by the US Federal Reserve by the end of 2024. The Bank of England (BoE) was expected to cut rates in August, even though inflation in services remained high. Overall, bond yields increased during this period because inflation data initially came in higher than expected, especially in the US. Stock markets kept rising, except in Japan, where they didn't perform as well. Emerging markets (like Brazil and India) outperformed developed markets. Political uncertainty was high, with new elections called in the UK and France.

In the third quarter of 2024, central banks in developed countries, including the US, started lowering interest rates again. They did this because inflation and the job market continued to slow, and wage growth was weakening. Japan was different, they raised interest rates slightly in July due to strong wage negotiations that could push inflation higher. Market sentiment improved, with fears of a US recession easing in early August. Bond yields fell across many countries, and stock markets rose as interest rates were cut. However, concerns around the US election and conflicts in the Middle East caused some market volatility.

In the fourth quarter of 2024, most developed countries' central banks kept lowering interest rates. The US cut rates, but the economy remained resilient, so the Federal Reserve projected fewer rate cuts for 2025 and 2026. Europe and the UK were more cautious. Japan kept rates unchanged because of uncertainty about wages and the US economy. Markets continued to believe the US economy could slow down without a recession, despite political uncertainties under Donald Trump's potential presidency. Bond yields rose again, and stocks generally performed well after rate cuts.

In the first quarter of 2025, most central banks continued to cut rates, but the US Federal Reserve held rates steady and lowered its growth outlook due to economic uncertainties. In Europe, political developments in Germany and a large government spending plan made headlines. Markets remained cautious, with bond yields fluctuating and global stocks ending the quarter with some losses. Concerns about tariffs and slowing growth weighed on investor confidence.

Equities (Stocks)

From March 2024 to March 2025, stocks in developed markets rose by about 4.8%, while emerging market stocks increased by around 10.1%, outperforming developed markets.

In the second quarter of 2024, stock markets continued to grow, mainly driven by a few large companies. Corporate profits stayed strong, and falling inflation created a better environment for stocks. Asian markets, especially Taiwan and India, did well, helped by advances in artificial intelligence (AI). China and Latin America didn't perform as strongly, but overall, markets in Asia outperformed.

In the third quarter, stocks kept rising, but there was more volatility in early August. This was caused by the unwinding of a trade strategy involving the US dollar and Japanese yen, weaker US employment data, and rising unemployment. Despite this, US economic data remained positive later in the quarter. Chinese stocks surged at the end of the quarter after the government announced more support measures.

In the last quarter of 2024, global stocks gained in local currency and British pounds, but in US dollars, they showed some losses due to currency fluctuations. US stocks did well after Donald Trump's election victory. However, European and Japanese stocks struggled because of economic and political worries. UK stocks also declined, mainly because of concerns about the UK economy. Japanese stocks benefited from a weaker yen, government stimulus, and corporate reforms.

In the first quarter of 2025, global stocks fell in both local and pound terms due to worries about tariffs and economic growth. Emerging markets outperformed developed markets. Chinese stocks rose thanks to government support and advances in AI, while US stocks declined because of weaker economic data and trade uncertainties. Japanese stocks also fell. Overall, the second half of the year saw a slowdown in positive momentum due to policy uncertainties and economic worries.

Bonds (Government and Corporate Loans)

By March 2025, UK government bonds lost about 1.2% of their value, while UK corporate bonds gained around 2.4%. Bonds linked to inflation lost nearly 8%.

Bond yields (interest rates) varied: US Treasury yields declined, but yields in other developed countries rose. In the UK, the Bank of England was cautious, warning about economic and inflation risks from trade policies and wage growth. The Bank cut interest rates by a

total of 0.75% during the year. UK 10-year government bond yields increased from 4.20% to 4.87%. Real yields (adjusted for inflation) also rose, reaching levels last seen in 2009.

Credit spreads (the extra yield investors get for taking on credit risk) tightened for both investment-grade and high-yield bonds, especially for lower-rated bonds.

Property (Real Estate)

The UK property market remained relatively stable, but recent geopolitical events added some uncertainty. The market is recovering, with prices and sales increasing. For the first time in ten quarters, yields (the return on property investments) started to compress in some sectors, indicating a strengthening recovery. The Bank of England remains cautious about cutting interest rates, keeping borrowing costs high for now, but expectations are that rates will decrease further during the year.

In the last quarter of 2024, property transactions in the UK surged by 50%, the strongest since 2022. Industrial and residential properties saw the biggest increases. Overall, all major sectors saw more deals compared to the previous year, with industrial and retail leading the way. The MSCI UK Property Index showed a 2.4% gross return over three months, with residential and hotel sectors performing best.

Commodities (Raw Materials)

Oil prices dropped by about 14.5%, from \$87.42 to \$74.78 per barrel. Gold prices rose sharply, up 41%, from \$2,214 to over \$3,125 per ounce. The overall commodities index fell by 4.5%.

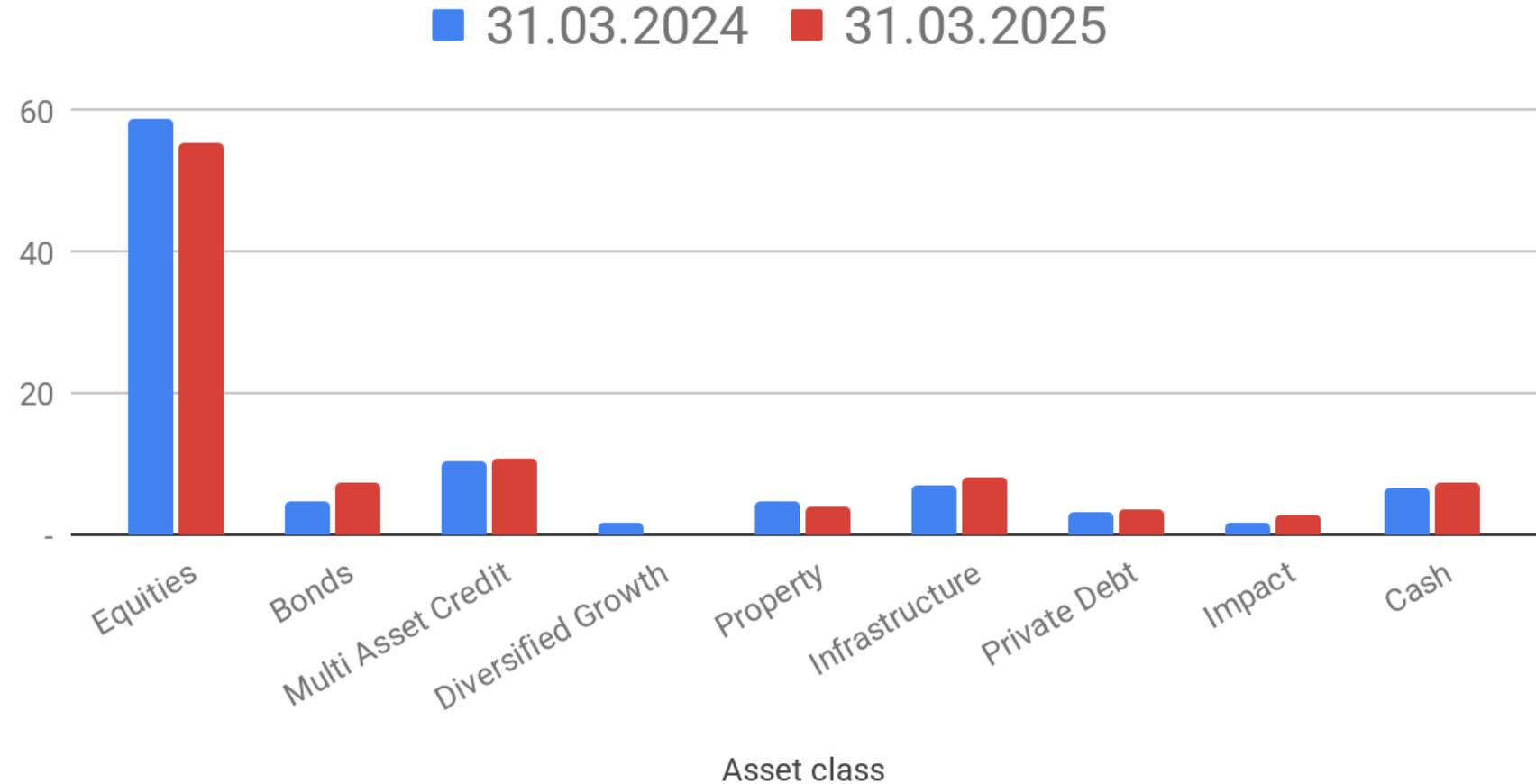
Currencies

Over the year, the British pound strengthened against the US dollar by about 2.2%, from \$1.263 to \$1.291. It also gained against the yen and euro, rising by 1% and 2.2%, respectively.

Asset Allocation and Manager Breakdown

Asset class	Actual Asset Allocation	Actual Asset Allocation	Strategic Asset Allocation	Variance from Strategic Asset Allocation
	%	%	%	%
	31.03.2024	31.03.2025	31.03.2025	31.03.2025
Equities	59	55	50	5
Bonds	5	8	6	2
Multi Asset Credit	10	11	9	2
Diversified Growth	2	-	-	-
Property	5	4	10	(6)
Infrastructure	7	8	10	(2)
Private Debt	3	4	5	(2)
Impact	2	3	10	(7)
Cash	7	8	-	8
	100	100	100	(0)

Asset Allocation 31 March



The market value of investment assets managed by each fund manager as of 31 March 2024, and 31 March 2025, is presented in the table below. During the 2024/25 period, the mandate with the M&G Alpha Opportunities Multi Asset Credit Fund was terminated. The funds from this mandate were transferred to existing accounts with the Legal and General Index Linked Gilts Fund and the LCIV Multi Asset Credit

Fund. Additionally, during 2024/25, the remaining balance in the LCIV Diversified Growth Fund was drawn down to support capital calls for existing investments in infrastructure, impact, and private debt funds.

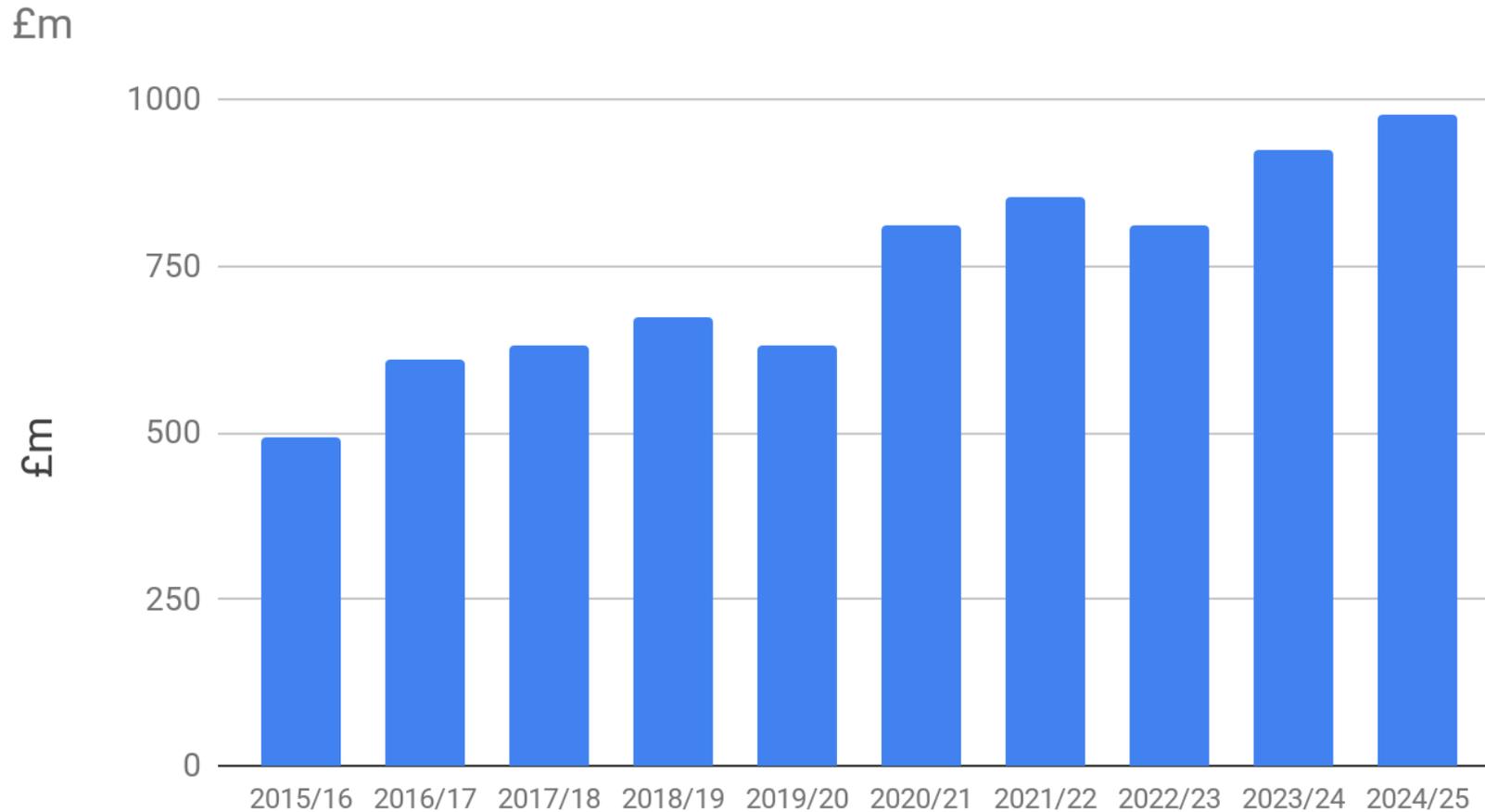
Fund Manager	Market Value at 31/03/24 £'000	Market Value at 31/03/25 £'000
Investments managed by London Collective Investment Vehicle	711,113	808,577
LCIV Global Equity Fund - Newton	130,377	136,270
LCIV Sustainable Equity Fund - RBC	130,096	131,976
LCIV Passive Equity Progressive Paris Aligned Fund - State Street	124,680	132,221
Legal & General Future World Global Equity Index Fund	152,647	132,805
LCIV Diversified Growth Fund - Baillie Gifford	24,038	0
LCIV Multi Asset Credit Fund - CQS & PIMCO	31,678	104,091
Legal & General Over 5 Year Index Linked Gilts Fund	47,081	71,885
LCIV Private Debt Fund -Pemberton & Churchill	31,238	33,515
LCIV Renewable Infrastructure - BlackRock, Stonepeak, Quinbrook & Foresight	27,234	38,171
LCIV The London Fund - LPPI	11,944	14,698
LCIV UK Housing Fund - CBRE, Octopus	100	12,945
Investments managed outside of London Collective Investment Vehicle	147,417	79,777
M&G Alpha Opportunities Fund	65,011	0
LaSalle Investors UK Real Estate Fund of Funds	9,737	4,463
BlackRock UK Property Fund	19,221	20,553
Invesco Real Estate UK Residential Fund SCSp	16,075	15,456
Partners Group Direct & Global 2015 S.C.A., SICAV-SIF & Global 2012 S.C.A., SICAR Partners Group - Direct Infrastructure III (EUR) S.C.A., SICAV-RAIF	37,373	39,305
Total	858,530	888,354

Each fund manager has been set a specific benchmark and some have also been set a performance target against which they will be measured. This is shown in the table below.

Investment Fund	Benchmark	Performance Target
LCIV Global Equity	MSCI AC World Index	Index +1.5% p.a. (net of fees)
LCIV Sustainable Equity	MSCI World (NDR) Index	Index +2% p.a. (net of fees)
LCIV Passive Equity Progressive Paris-Aligned (PEPPA)	S&P Developed Ex-Korea LargeMidCap Net Zero 2050 Paris-Aligned ESG Index TR (GBP)	-
Legal & General Future World Equity	Solactive L&G ESG Global Markets Net	To match the benchmark
Legal & General Index Linked Over 5 Years	FTSE A Over 5 Years Index-Linked Gilts Index	To match the benchmark
M&G Alpha Opportunities	SONIA	SONIA +3-5% p.a. (gross of fees)
LCIV Multi Asset Credit (MAC)	SONIA	SONIA +4.5% p.a. (net of fees)
LCIV Diversified Growth	UK Base Rate	UK Base Rate +3.5% p.a. (net of fees)
BlackRock	MSCI UK Pooled Property Funds Index	-
LaSalle	MSCI All Property Funds Median	-
Invesco	Absolute 6% p.a.	-
Partners Group 2012 Direct	+7% to +11% p.a. (net of fees)	-
Partners Group 2015 Direct	+8% to +12% p.a. (net of fees)	-
Partners Group 2015 Global	+7% to +11% p.a. (net of fees)	-
Partners Group III Direct	+8% to +12% p.a. (net of fees)	-
LCIV Private Debt	IRR+6% to +8% p.a. (net of fees)	-
LCIV London Fund	CPI +3% p.a. (net of fees)	-
LCIV UK Housing Fund	IRR+5% to 7% p.a. (net of fees)	-
LCIV Renewable Infrastructure Fund	IRR+7% to +10% p.a. (net of fees)	-

FUND VALUE OVER 10 YEARS

The market value of the total investment assets held by the fund managers over the last 10 years is shown below.



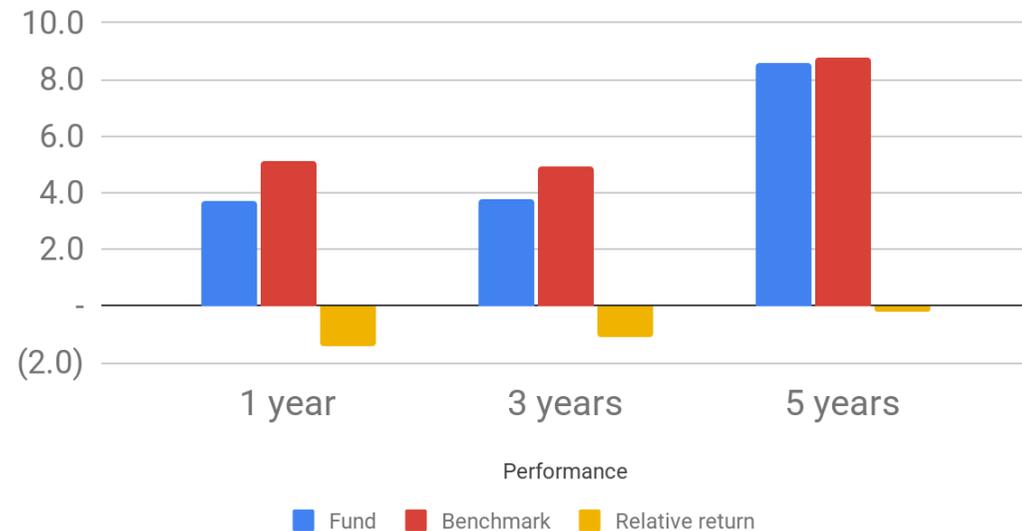
*This does not include cash balances held by the Fund and managed by the Council on the Fund's behalf.

Performance

The following tables provide comparative analyses of performance over 1 year, 3 years and 5 years at total Fund level and at fund manager level against the relevant benchmark. All figures are shown net of fees.

Performance	1 year	3 years	5 years
Fund	3.7	3.8	8.6
Benchmark	5.1	4.9	8.8
Relative return	(1.4)	(1.1)	(0.2)

Investment Performance over 1, 3 and 5 years



At total fund level, as at March 2025 the Fund underperformed the benchmark by 1.4% over the past year, underperformed by 1.1% per annum over three years and underperformed by 0.2% per annum over five years.

Analysis of the Universe of LGPS funds carried out by the performance monitoring service PIRC, has shown that average fund returns delivered 3.4% (1 year), 3.6% (3 years), and 8.3% (5 years).

Investment Fund	1 year performance			3 year performance			5 year performance		
	Fund Return	Benchmark Return	Relative return	Fund Return	Benchmark Return	Relative return	Fund Return	Benchmark Return	Relative return
London Collective Investment Vehicle:									
LCIV Global Equity	4.5	5.3	(0.8)	9.5	8.1	1.4	14.8	14.8	-
LCIV Sustainable Equity	1.4	5.5	(4.1)	2.8	8.3	(5.5)	-	-	-
LCIV Passive Equity Progressive Paris-Aligned	6.0	5.5	0.5	-	-	-	-	-	-
Legal & General - Index Linked	(10.5)	(10.4)	(0.1)	(16.6)	(16.6)	-	(9.0)	(9.0)	-
Legal & General - Global Equity	5.2	4.5	0.7	8.1	7.5	0.6	-	-	-
LCIV Multi Asset Credit Fund	8.0	9.0	(1.0)	4.8	8.1	(3.3)	-	-	-
LCIV Private Debt Fund	5.1	6.0	(0.9)	7.1	3.0	4.1	-	-	-
LCIV Renewable Infrastructure	(6.7)	7.0	(13.7)	-	-	-	-	-	-
LCIV UK Housing Fund	(1.2)	6.0	(7.2)	-	-	-	-	-	-
LCIV London Fund	7.6	6.0	1.6	-	-	-	-	-	-
Other Managers:									
LaSalle	9.3	6.1	3.2	(1.9)	(2.6)	0.7	1.9	2.3	(0.4)
BlackRock	5.3	6.0	(0.7)	(4.9)	(3.5)	(1.4)	1.6	1.8	(0.2)
Invesco	(3.6)	6.0	(9.6)	(1.9)	7.0	(8.9)	0.6	7.4	(6.8)
Partners Group Global 2012 - Infrastructure	(6.3)	8.0	(14.3)	4.9	3.9	1.0	8.9	2.3	6.6
Partners Group Direct 2015 - Infrastructure	12.1	8.0	4.1	14.9	3.9	11.0	19.1	2.3	16.8
Partners Group Global 2015 - Infrastructure	7.9	8.0	(0.1)	8.7	3.9	4.8	14.8	2.3	12.5
Partners Group Direct III - Infrastructure	14.2	8.0	6.2	14.0	3.9	-	-	-	-

6. ASSET POOLS

Background

The Department for Levelling Up, Housing and Communities (DLUHC) issued guidance in 2015, outlining expectations for LGPS funds to establish asset pooling arrangements. The aim was to achieve improved governance, economies of scale, and lower investment costs.

DLUHC initiated a consultation in January 2019 to update expectations for administering authorities and formalise the pooling framework. This built on previous communications and aimed to establish a more transparent regulatory framework for LGPS pools. The Government's commitment to accelerating asset pooling was reaffirmed in July 2023 with DLUHC's 'Next Steps on Investment Consultation'. This initiative gained further support from the Chancellor's Autumn Statement 2023, which declared the Government's intention for all LGPS funds to have transitioned their listed assets into their respective pool by 31 March 2025. This timeline aligns with the 2022 triennial valuation cycle and forms part of the Government's 'Fit for the Future' agenda, which aims to consolidate LGPS investment assets to achieve improved outcomes for both scheme members and taxpayers.

Pooling Progress

Established in 2015, the London CIV is entirely owned by the 32 London local authority pension funds. As of 31 March 2025, it managed approximately £34.2 billion in assets, across a range of listed and alternative investment strategies.

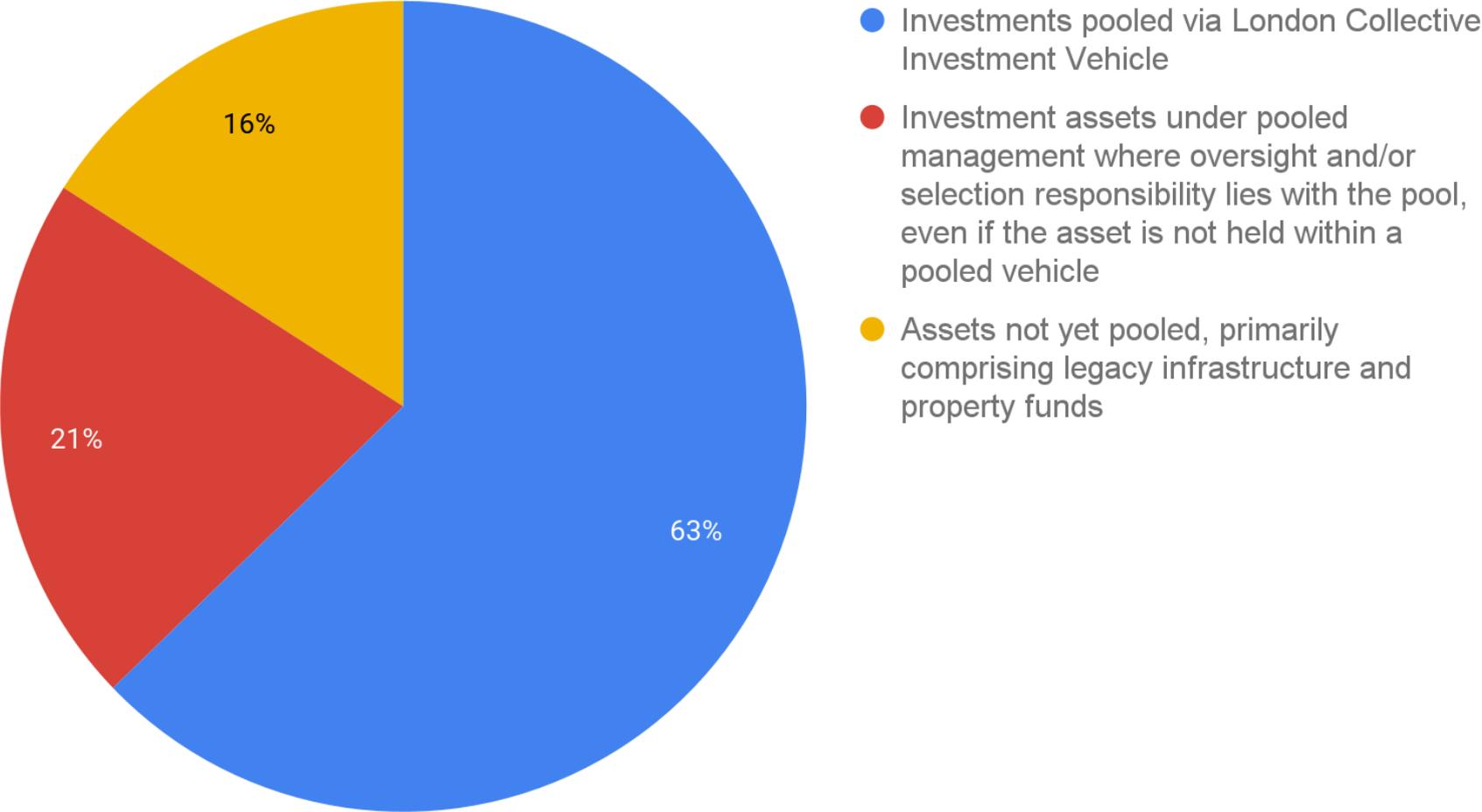
As at 31 March 2025, the Fund had:

£603.9m (63%) of investment assets pooled via the London CIV.

£204.7m (21%) of investment assets under pooled management where oversight and/or selection responsibility lies with the pool, even if the asset is not held within a pooled vehicle.

£79.8m (16%) of assets not yet pooled, primarily comprising legacy infrastructure and property funds.

LB Sutton Pension Fund Investments Pooling Position at 31 March 2025



The table below shows the Fund's assets by asset class split between investments managed by the pool, investments deemed pooled and investments outside of the pool.

Asset Values as at 31 March 2025	Pooled	Under Pool Management	Not Pooled	Total
	£'000	£'000	£'000	£'000
Equities	400,467	132,805		533,272
Bonds		71,885		71,885
Multi Asset Credit	104,091		-	104,091
Diversified Growth Funds	-			-
Property			40,472	40,472
Infrastructure	38,171		39,305	77,476
Private Debt	33,515			33,515
Impact	27,643			27,643
Cash and cash equivalents*			73,495	73,495
Total Investment Assets	603,887	204,690	153,272	961,849

* This represents cash held in the Fund's money market funds. It does not include cash held in the Fund's current account at year end.

The set up and transition costs incurred by the Fund in relation to pooling are detailed in the following table;

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Set up Costs					
Share purchase	-	-	-	-	-
Annual subscription	25	25	25	25	25
Development funding charge	85	85	85	76	73
Management Fees		86	85	94	126
Transition Costs	-	-	-	-	
Gross Fee Savings	(246)	(441)	(518)	(481)	(619)
Net Savings Realised	(136)	(245)	(323)	(286)	(395)

The table below shows how the management costs of the Fund compare between those managed by LCIV and the Fund's existing managers.

	Asset Pool	Non-Asset Pool	Fund
	Total	Total	Total
	£'000	£'000	£'000
Management fees	2,069	1,141	3,210
Transaction costs	370	183	553
Custody fees	-	15	15
Performance fees	-	-	-
Total	2,438	1,339	3,778

7. RESPONSIBLE INVESTMENT

Beliefs

The Fund is committed to being a responsible investor and its investment beliefs reflect the need to deliver sustainable investment returns in order to pay pension benefits. The Fund's Responsible Investment (RI) Policy aims to incorporate financially material Environmental, Social and Governance (ESG) factors into investment decisions and recognises that it is consistent with its fiduciary responsibility to identify and manage ESG risks and opportunities appropriately, while safeguarding its assets over the long term.

The RI Policy can be found [here](#).

Engagement

The Fund uses its influence as a long-term investor to encourage positive change. It expects all of its investment fund managers to exercise their voting rights and to actively engage with companies to encourage responsible investment behaviour. Divestment is considered as a last resort, once all avenues of engagement have been explored.

The Fund works closely with its chosen pool, the London CIV, to maximise stewardship and engagement opportunities and is a member of the Local Authority Pensions Fund Forum (LAPFF), an organisation that engages directly with company chairs and boards to affect change at investee companies.

Progress

While the Fund's approach to responsible asset ownership has already led to the transition of the majority of its equity investments into funds with an ESG tilt, there is a continuing RI journey. During 2024/25 Pension Committee members attended a training session on taking the next steps in responsible investing. Following this a revised RI Policy was put in place, which set out clearer beliefs and objectives, strengthened the approach to climate change through the introduction of 2030 carbon reduction targets, set out the Fund's enhanced adoption of UN Sustainable Development Goals and its objectives on Impact Investing, alongside how that will be measured and reported. The Fund continues to work closely with the London CIV on RI monitoring and reporting, which includes the provision of annual climate analytics.

8. SCHEME ADMINISTRATION

Service arrangements

The London Borough of Sutton Pension Fund is committed to providing a high-quality, efficient, and cost-effective administrative service of the Local Government Pension Scheme (LGPS) to all its members and employers. The day-to-day administration of the Fund is managed through the Shared Pensions Administration Service with the Royal Borough of Kingston upon-Thames Pension Fund, a partnership designed to enhance resilience, efficiency, and member experience. The Shared Pensions Administration Service is hosted by the London Borough of Sutton and delivers its services to a total membership of circa 38,848 and 104 employers across the two funds.

This section of the Annual Report outlines the administration of the LGPS in Sutton, details the services provided to members, and reviews the performance of the administrative function over the past year.

Service Delivery

The shared Pensions Service is responsible for all operational aspects of the Fund's administration, including:

Maintaining accurate and up-to-date member records

Calculating and paying pension benefits in accordance with the performance standards

Publishing annual benefit statements for active and deferred members

Publishing pension savings statements to affected members

Applying the annual pensions increase as directed by HM Treasury

Maintaining a 'breaches of law' register and notify The Pension Regulator of any materially significant breaches

Ensuring that any internal dispute resolution procedure and corporate complaint cases are dealt with in a timely manner

Member Services and Communication

The Fund places a high value on clear and accessible communication with its members. Key communication channels and services include:

Annual Benefit Statements: Provided to all active and deferred members, outlining their pension benefits accrued to date.

"My Pension" Online Portal: A secure online platform where members can view their pension details, run retirement projections, and update their personal information. The member self-service portal can be accessed at pensions.sutton.gov.uk.

Website: The London Borough of Sutton Council website provides a dedicated section for the Pension Fund, with access to key documents, forms, and news updates. For more information, please search 'LGPS' on www.sutton.gov.uk.

Member Enquiries: The shared Pensions Administration Service is available to answer member queries by phone and email, providing support on a range of pension-related matters.

Performance and Key Developments

The Fund continuously monitors its performance to ensure that a high standard of service is maintained. Key performance indicators (KPIs) are in place to measure the timeliness and accuracy of key administrative tasks. Over the past year, the Fund has focused on several key exercises:

McCloud remedy project

In 2018, the Court of Appeal ruled in the McCloud case that the transitional protections given to older members of public service pension schemes when they were reformed in 2014 and 2015 were discriminatory on the grounds of age. The Government has since introduced regulations, known as the McCloud Remedy, to remove this discrimination from the LGPS.

The remedy applies to members who were in the Fund on or before 31 March 2012 and remained in service on or after 1 April 2014. For these members, benefits accrued during the remedy period (1 April 2014 to 31 March 2022) are now protected by an 'underpin'. This means that when an affected member takes their pension, the Fund will calculate their benefits for the remedy period on both a final salary and a career average (CARE) basis, and the member will receive the higher of the two.

The implementation of the McCloud Remedy is a large and complex undertaking, requiring significant resources and a detailed project plan. The Fund has established a dedicated project to manage this process, working closely with our administration software provider to develop and test the necessary system functionality to perform the underpin calculations accurately. A primary focus has been gathering historical pay data for the entire remedy period for all affected members. This has involved extensive engagement with scheme employers to ensure the data we hold is complete.

Our immediate priority is for our active and deferred members' Annual Benefit Statements to be updated to reflect any McCloud underpin protection. The next phase is the review of cases for members who have already retired or left the scheme, as their benefits may need to be retrospectively adjusted. We are reviewing these cases and will be communicating directly with any member whose pension is due to be increased, with any arrears paid in line with scheme regulations. The Fund is committed to completing this project to ensure all members receive benefits compliant with LGPS Regulations.

Guaranteed Minimum Pensions (GMP) reconciliation project

The Fund is pleased to report the successful completion of the Guaranteed Minimum Pension (GMP) Reconciliation project in February 2025. This complex project was a mandatory industry-wide exercise that was required following the end of contracting-out of the State Earnings Related Pension Scheme (SERPS) in 2016.

The project's objective was to reconcile the GMP data held by the Fund against the final records provided by HM Revenue & Customs (HMRC). This was a key exercise, as discrepancies between these datasets could lead to the incorrect application of pension increases and, consequently, incorrect pension payments over many years.

Working with a specialist third-party provider, the final phase of the project involved correcting all identified discrepancies on affected members' pension records. Where this exercise identified historical underpayments, arrears have been calculated and paid with interest. In cases where overpayments were identified, the Fund has acted in line with scheme regulations and established LGPS best practice. All affected members have been contacted with a clear explanation of the changes to their pension. The conclusion of this key project provides greater accuracy for members' benefits and improves the quality of the Fund's liability data for actuarial valuation purposes.

Pensions Dashboards project

The Pensions Dashboard Programme is a government-led initiative set to transform how individuals interact with their pensions. The programme, overseen by the Money and Pensions Service (MaPS), will enable members to view information about all of their pensions in a single secure online location.

The LGPS, along with all other UK pension schemes, has a statutory duty to connect to the central digital architecture that underpins the dashboard. This will allow secure transfer of members' data to their chosen dashboard provider upon request. The mandatory staging date by which the London Borough of Sutton Pension Fund must be connected to the ecosystem is 31 October 2025. In preparation for this significant undertaking, the Fund is actively engaged in a detailed project plan and on track to meet the statutory deadline.

A key dependency for the success of the Pensions Dashboard is the quality and completeness of member data. Our ongoing data improvement initiatives are therefore critical to ensuring we can meet our dashboard obligations and provide our members with accurate information when the service goes live. The Fund remains committed to delivering this project on time and to the required standards.

Data Improvement project

The Fund considers the maintenance of high-quality member data to be key to effective scheme administration. Accurate data is fundamental to ensuring the correct calculation of members' benefits, the precise valuation of the Fund's liabilities, and compliance with our statutory obligations. The Pensions Regulator (tPR) requires all schemes to measure and report on the quality of their data annually.

For the 2024/25 reporting year, the Fund's data scores were 98% for common data and 83% for scheme-specific data. While the common data score remains high, we have identified the improvement of our scheme-specific data as a priority. To address this, the Fund has a comprehensive Data Improvement Plan in place. This plan outlines a programme of work to identify the cause of data issues and implement solutions to improve data accuracy.

As part of this ongoing plan, the Fund undertakes several proactive measures. We work continuously with Fund employers to improve the quality of data submissions at source. Furthermore, in accordance with our Data Improvement Policy, we engage a specialist third-party data services provider to conduct data cleansing activities. These include mortality screening to prevent pension overpayments and reduce the risk of fraud, alongside regular address tracing exercises to find and re-engage with members with whom we have lost contact. The implementation of these initiatives is crucial for safeguarding members' benefits and the Fund's assets.

Value for money statement

The London Borough of Sutton Pension Fund is committed to ensuring that the services provided to its members and employers deliver excellent value for money. The Fund has a fiduciary duty to manage its costs effectively without compromising the quality of its administration and governance.

An important part of our value for money strategy is the shared Pensions Administration Service with the Royal Borough of Kingston upon-Thames. This collaboration generates efficiencies through economies of scale, the sharing of specialist staff and resources, and increased resilience. By pooling our administrative functions, we can reduce the cost per-member while enhancing the overall service provided.

Our investment in the "My Pension" online portal, empowers members to self-serve, which improves efficiency and reduces administrative costs. The Fund is dedicated to the ongoing monitoring of its performance and costs to ensure that value for money is consistently achieved and improved upon.

Data analysis

Membership data

Active	Deferred (inc. frozen refunds)	Pensioner	Total
6,309	7,739	5,081	19,129

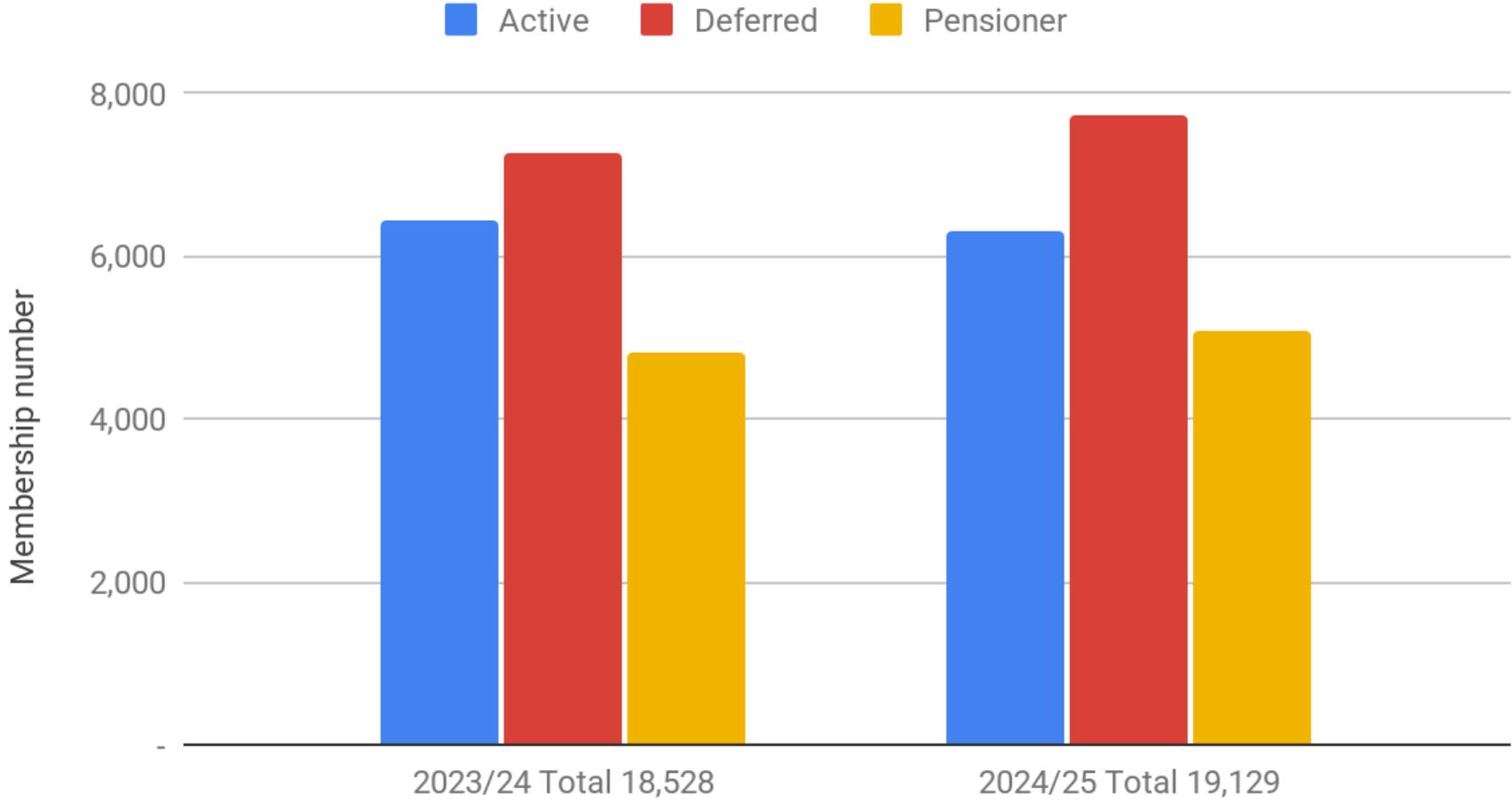
New pensioners

Normal retirement	Early retirement	Ill-health	Total
238	107	8	353

Active employer numbers

Scheduled (inc. Sutton Council)	Admitted	Total
48	19	67

Membership Numbers over 2 years



9. GOVERNANCE

The London Borough of Sutton, as the Administering Authority for the London Borough of Sutton Pension Fund, is committed to maintaining the highest standards of governance. A robust governance framework is essential for the effective and efficient management of the Fund, ensuring that the interests of all members, employers, and other stakeholders are protected. This framework ensures that the Fund is managed in compliance with all relevant legislation, regulations, and best practice guidelines, including those set out by the Pensions Regulator and the Scheme Advisory Board.

Our governance arrangements are designed to be transparent and accountable, with clear roles and responsibilities for all parties involved in the management and oversight of the Fund.

Pension Fund Committee

Responsibilities:

The key responsibilities of the Pensions Committee include:

Setting the strategic direction for the Fund.

Deciding and reviewing key policy documents, including the Investment Strategy Statement, Funding Strategy Statement, and Communications Policy.

Appointing and monitoring the performance of the Fund's investment managers, advisors, and other service providers.

Overseeing the Fund's financial performance and position.

Ensuring that the Fund has an effective risk management framework in place.

Approving the Pension Fund Annual Report and Accounts.

Membership and Meetings

The Pensions Committee is composed of six elected councillors from the London Borough of Sutton, along with two non-voting co-opted representatives for scheme employers and members. This structure ensures that the views of key stakeholders are considered in the decision-making process. The Committee meets four times a year on a quarterly basis, with all meetings held in public and agendas and minutes published on the Council's website. The membership of the Committee in the 2024 municipal year was:

Councillor Cryss Mennaceur (Chair)

Councillor Sam Martin (Vice Chair)

Councillor Paul Cole

Councillor Richard Clifton

Councillor Jake Short - from October 2024

Councillor Tom Drummond

The below table summarises the Committee attendance and training during the 2024 municipal year:

	Councillor Cryss Mennaceur	Councillor Sam Martin	Councillor Paul Cole	Councillor Richard Clifton	Councillor Jake Short	Councillor Tom Drummond	Councillor Patrick Magnus	Jeremy Randall	Fiona Kemp
Committee attendance									
25 June 2024	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	N/A	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
1 October 2024	<input checked="" type="checkbox"/>		Substitute	<input checked="" type="checkbox"/>	Substitute	Substitute	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
10 December 2024	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>					
1 April 2025	<input checked="" type="checkbox"/>	N/A							
Training for the Committee									
Pensions Governance - Hymans	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Actuarial Methods, Standards and Practices - Hymans	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Financial Markets and Product Knowledge - Hymans	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Responsible Investing Training	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	N/A
Pensions Administration - Hymans	<input checked="" type="checkbox"/>	N/A							

Role of Pension Board

The Pension Board was established in accordance with the Public Service Pensions Act 2013. The Board's role is to assist the Administering Authority in securing compliance with scheme regulations and the requirements of the Pensions Regulator, and to ensure the effective and efficient governance and administration of the Fund.

The Board operates independently of the Pensions Committee and does not have decision-making powers. Its function is to provide scrutiny and oversight.

Responsibilities of the Board

The primary duties of the Pension Board are to:

- Review the Fund's compliance with all relevant legislation and guidance.
- Monitor the performance of the Fund's administration and governance arrangements.
- Help ensure that any potential or actual breaches of duty are identified and reported.
- Review the effectiveness of the Fund's policies and procedures.

Membership

The Board consists of an equal number of three employer and three scheme member representatives, along with an independent chair. This composition ensures a balanced representation of stakeholder interests. The Board meets quarterly and reports its recommendations to the Pensions Committee. An annual report on the work of the Board is also published. The membership of the Board within the 2024 municipal year was:

- Jonathan Bunt (Independent Chair)
- Councillor Sunita Gordon (Employer Representative)
- Angela Russell (Employer Representative)
- Kirstie Martin (Employer Representative)
- Chris Reeve (Member Representative)
- William Cody (Member Representative up to 15 July 2025)
- Anthony Kramer (Member Representative)

The below table summarises the Board attendance and training during the 2024 municipal year:

	Jonathan Bunt	Councillor Sunita Gordon	Angela Russell	Kirstie Martin	Chris Reeve	William Cody	Anthony Kramer
Board attendance							
11 July 2024	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	N/A	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
10 October 2024	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
19 December 2024	<input checked="" type="checkbox"/>						
17 April 2025	<input checked="" type="checkbox"/>						
Training for the Board							
Pensions Governance - Hymans	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>				
Actuarial Methods, Standards and Practices - Hymans	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Financial Markets and Product Knowledge - Hymans	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>				
Responsible Investing Training		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>			
Pensions Administration - Hymans	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>				

Governance Policies and Compliance

The Fund maintains a suite of key governance documents that are regularly reviewed and updated by the Pensions Committee. These documents, which are publicly available on the Fund's website, include:

Governance Compliance Statement: This statement details how the Fund complies with the best practice governance principles set out by the Scheme Advisory Board. The Governance Compliance Statement is shown at Section 11.

Conflicts of Interest Policy: This policy outlines the procedures for identifying, monitoring, and managing any potential conflicts of interest for members of the Pensions Committee, Pension Board, and Fund officers.

Training Policy: The Fund is committed to ensuring that all those involved in its governance have the necessary knowledge and skills to perform their roles effectively. A training policy is in place, and a log of all training undertaken is maintained and reported annually.

Risk Management

Effective risk management is integral to the governance of the Fund. The Pensions Committee is responsible for overseeing the Fund's risk management framework. A comprehensive risk register is maintained, which identifies, assesses, and documents the key risks facing the Fund across all areas of its operations, including funding, investment, administration, and governance. The risk register is reviewed at every Pensions Committee meeting to ensure that risks are being actively managed and that appropriate mitigation strategies are in place.

Risks are identified from relevant sources of information, such as management reports and from reviews undertaken by independent advisers. The actual scores are recorded in the risk register, along with gross and net risk scores (likelihood x impact) that determines the RAG ratings. The net score indicates the exposure arising from a risk after mitigation measures have been applied.

10. ACTUARIAL REPORT

The Pension Fund is required by regulations to have an assessment every 3 years of its pension liabilities and the assets available to pay for them. The last triennial valuation took place in 2022. The Fund had a surplus of £6m, which represents a funding level of 101%. This compares with a funding level of 90% at the previous valuation in 2019. The full valuation report can be found here: [LBS AV 2022](#). The next valuation will be carried out during 2025.

11. EXTERNAL AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF SUTTON ON THE PENSION FUND ACCOUNTS INCLUDED WITHIN THE PENSION FUND ANNUAL REPORT

Opinion

We have examined the Pension Fund Accounts of London Borough of Sutton Pension Fund ("the Pension Fund") for the year ended 31 March 2025 included in the Pension Fund Annual Report, which comprise the Fund Account, the Net Assets Statement and the related notes to the Pension Fund Accounts, including the summary of significant accounting policies.

In our opinion, the Pension Fund Accounts included in the Pension Fund Annual Report are consistent, in all material respects, with the Pension Fund Accounts included in the annual statement of accounts of London Borough of Sutton ("the Authority") for the year ended 31 March 2025 that were approved on 16 February 2026.

Strategic Director of Resources' responsibilities

As explained more fully in the Statement of the Strategic Director of Resources' Responsibilities, the Strategic Director of Resources is responsible for the preparation of the Pension Fund Accounts in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

Auditor's responsibilities

Our responsibility is to report to you our opinion on the consistency of the Pension Fund Accounts included in the Pension Fund Annual Report with the Pension Fund accounts included in the annual statement of accounts of the Authority.

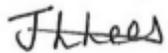
In addition, we read the other information contained in the Pension Fund Annual Report and, if we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office in June 2025.

Our audit report on the Authority's annual published statement of accounts that we issued on 17 February 2026 describes the basis of our opinion on those accounts.

The purpose of our work and to whom we owe our responsibilities

This auditor's statement is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the members of the Authority, as a body, for our work, for this statement, or for the opinions we have formed.



Joanne Lees
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
E14 5GL
17 February 2026

12. PENSION FUND ACCOUNTS 2024/25

Sutton Pension Fund Account for the year ended 31 March 2025

2023/24			2024/25
£'000		Note	£'000
	Dealings with members, employers and others directly involved in the Fund		
(42,101)	Contributions	7	(45,677)
(6,985)	Transfers in from other pension funds	8	(28,070)
(49,086)			(73,747)
34,654	Benefits	9	42,600
3,385	Payments to and on account of leavers:	10	12,451
38,039			55,051
(11,047)	Net (additions) / withdrawals from dealings with members		(18,696)
6,096	Management expenses	11	5,294
(4,950)	Net (additions)/withdrawals including fund management expenses		(13,402)
	Returns on Investments		
(16,982)	Investment income	12	(16,548)
16	Taxes on income	13	12
(91,525)	(Profit) loss on disposal of investments and changes in the market value of investments	14b	(24,999)
(108,491)	Net (Return)/Loss on Investments		(41,535)
(113,441)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(54,937)
(810,578)	Opening Net Assets of the Scheme		(924,019)
(924,019)	Closing Net Assets of the Scheme		(978,956)

Sutton Pension Fund Net Assets Statement for the year ended 31 March 2025

2023/24		2024/25
£'000		£'000
150	Long term assets	150
908,923	Investment Assets	14 961,849
909,073	Total Net Investments	961,999
17,097	Current Assets	20 18,806
(2,151)	Current Liabilities	21 (1,849)
924,019	Net Assets of the Fund available to fund benefits at the end of the reporting period	978,956

PF Note 1 - Description of the Fund

a) General

The London Borough of Sutton Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Sutton. The Fund is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

The Local Government Pension Scheme Regulations 2013 (as amended)

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The LGPS is a contributory defined benefit pension scheme established in accordance with statute, which provides pensions and other benefits for pensionable employees of the London Borough of Sutton and the admitted and scheduled bodies in the Fund. Teachers are not included as they come within other national pension schemes.

The benefits offered by the LGPS include retirement pensions, early payment of benefits on medical grounds, and payment of death benefits where death occurs either in service or in retirement.

b) Pension Committee

The Council has delegated all matters relating to the Fund to the Pension Committee. Its core functions include deciding upon the investment strategy, approving policy statements, and monitoring performance. The Committee is made up of six Members of the Council each of whom has voting rights and two other non-voting representatives.

The Committee considers the views of the Strategic Director of Resources (S151 Officer) and obtains, as necessary, advice from the Fund's appointed investment advisers, fund managers and actuary. The implementation of these decisions is delegated to the Strategic Director of Resources (S151 Officer).

c) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the Fund, remain in the Fund or make their own personal arrangements outside the Fund. Organisations participating in the London Borough of Sutton Pension Fund include:

Scheduled bodies which are automatically entitled to be members of the Fund.

Admitted bodies, which participate in the fund under the terms of an admission agreement between the fund and the employer.

Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Active Fund employers at 31 March 2025 included the Administering Authority and LEA schools. Other participating organisations were as follows:

Scheduled Bodies:

Abbey Primary School
Addington Valley Academy
All Saints Carshalton CofE Primary School
Beddington Park Academy
Carew Academy
Carshalton Boys Sports College
Cheam Academies Network pool:
 Cheam High School
 Oaks Park High School
Cirrus Primary Academy Trust pool:
 Avenue Primary Academy
 Barrow Hedges Primary School
 Cirrus Primary Academy Trust - Central Staff
 Rushy Meadow Primary Academy

Scheduled bodies (cont.):

Victor Seymour Infants' School
Wallington County Grammar School
Wood Field Primary School
Harris Academy Sutton
Harris Junior Academy Carshalton
LEO Academy Trust pool:
 Brookfield Primary Academy
 Cheam Common Infants' Academy
 Cheam Common Junior Academy
 Cheam Fields Primary Academy
 Cheam Park Farm Primary Academy
 LEO Academy Trust Central Staff
 Manor Park Primary Academy
Orchard Hill College
Orchard Hill College Academy Trust -

ABM Catering (Overton Grange)
Brayborne (Cheam Academies Network)
Caterlink (2023 Contract)
Citizens Advice - Sutton
CleanTEC Services (Girls' Learning Trust)
Cognus
Cucina Restaurants (Glenthorne School)
Cucina Restaurants (Wilson's School)
DB Services (Dorchester Primary)
Idverde
Joskos Solutions (OHCAT)
Junior Adventures Group (Muschamp Primary)
Olive Dining (Abbey Primary)
Olive Dining (Dorchester Primary)
Orchard Childcare

Stanley Park Infants School
Wallington Primary Academy
Girls' Learning Trust pool:
Carshalton High School for Girls
Girls' Learning Trust - Central Staff
Nonsuch High School for Girls
Wallington High School for Girls
Glenthorne High School
Greenshaw Learning Trust pool:
Bandon Hill Primary School
Green Wrythe Primary School
Greenshaw High School
Tweeddale Primary School

Central Staff
Overton Grange School
Sancta Familia Catholic Academy Trust
pool:
St Elphege's RC Infants' School
St Elphege's RC Junior School
Sutton Grammar School
Sutton Housing Partnership
The Limes College
The Link School
Wandle Valley Academy
Westbourne Primary School
Wilson's School

PlayWise Learning CIC
Ridgecrest Cleaning (St Philomena's)
Saba Park Services
Sports and Leisure Management

The following table summarises the membership numbers of the Fund:

2023/24		2024/25
No.		No.
62	Number of Employers with active members	67
Active Members		
2,669	London Borough of Sutton	2,571
3,637	Scheduled bodies	3,628
139	Admission bodies	110
6,445		6,309
Deferred Members		
5,031	London Borough of Sutton	4,957
2,114	Scheduled bodies	2,618
128	Admission bodies	164
7,273		7,739
Pensioners (including Dependents)		
4,176	London Borough of Sutton	4,305
551	Scheduled bodies	649
83	Admission bodies	127
4,810		5,081
18,528	Total	19,129

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Price Index.

Key details of the scheme's variants are shown in the table below.

	Service pre 1 April 2008	Service 1 March 2008 to 31 March 2014	Service post 31 March 2014
Pension	Accrual rate per annum of 1/80th of final pensionable pay.	Accrual rate per annum of 1/60th of final pensionable pay.	Accrual rate per annum of 1/49th of current year's pensionable pay.
Lump sum	Automatic lump sum of 3 x pension. Option to exchange annual pension for tax free lump sum at a rate of £1 pension for £12 lump sum up to a maximum of 25% of total pension pot.	No automatic lump sum. Option to exchange annual pension for tax free lump sum at a rate of £1 pension for £12 lump sum up to a maximum of 25% of total pension pot.	

A range of other benefits are also provided including early retirement, ill-health pensions and death benefits. Further information is available at <https://www.lgpsmember.org>

e) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2025. Under the current scheme members can opt for the 50:50 option where they pay half their contributions for half the benefits.

Employers' contributions are set based on triennial actuarial funding valuations. Employer contribution rates payable from 1 April 2024 were set by the triennial valuation as at 31 March 2022, the results of which were published on 31 March 2023. In 2024/25, employer contribution rates ranged from 0.0% to 32.4% of pensionable pay.

PF Note 2 - Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2024/25 financial year and its position as at 31 March 2025. The Accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2024/25' (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The continuation of service principle applies and these accounts have consequently been prepared on a going concern basis. The pension fund is a statutory backed scheme and also backed by an administering authority with tax raising powers.

The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not provide for obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these Accounts.

Accruals Concept

Income and expenditure has been included in the Accounts on an accruals basis. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The adequacy of the Fund to pay future pensions and other benefits is reported upon separately in these accounts.

Valuation of Investments

Investments are stated at their market values as at 31 March 2025 and are determined as follows:

All investments priced within the Stock Exchange Electronic Trading Service (SETS), a Recognised or Designated Investment Exchange or Over-The-Counter market, are valued at the bid-market prices at close of business on the exchange or market on which the investment trades, or at the last trading price recorded.

Securities which are not covered by the above are valued at their estimated realisable value. Suspended securities are valued initially at the suspended price but are subject to constant review.

The value of Pooled Investment Vehicles have been determined at fair value in accordance with the requirements of the Code and IFRS 13.

Investments held in foreign currency have been valued on the relevant basis and translated into Sterling at the rate ruling at the balance sheet date.

Transactions in foreign currency are translated into Sterling at the exchange rate ruling at the time of transaction.

PF Note 3 - Summary of significant accounting policies

Fund account – revenue recognition

a) Contribution Income

Normal contributions, both from members and employers, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer's augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. (Augmentation is the cost of additional membership awarded by an employer).

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body.

Additional employer's contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in or out are accounted for when received or paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis.

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment income

Interest income

Interest income is recognised in the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of the financial instrument and its amount as at the date of acquisition or origination.

Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue and accrued at year end if not received at that time. Income on pooled investment vehicles which are held in accumulation share classes is retained within the pooled investment vehicle and therefore not recognised as investment income. This is reflected in the Change in Market Value of Investments (CIMV).

Movement in the net market value of investments

Changes in the net market value of investments (including investments properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

Pensions and lump sum benefits include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Interest from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Investment income, Note 12, is shown gross of irrecoverable taxes deducted. The Fund is reimbursed VAT by HM Revenue and Customs and the accounts are shown exclusive of VAT.

f) Management Expenses

Pension Fund management expenses are accounted for in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses* (2016).

Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the Pension Administration Team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged to the Fund. Associated management and accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment Management Expenses

All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments.

Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the value of these investments change. The cost of obtaining investment advice from external consultants is included here.

An element of the LCIV Global Equity Fund fee is performance related.

Where an investment manager's fee has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account.

Catch-up payments or additional contributions made to equalize an investor's capital position with other investors are recognised as investment management expenses when incurred. Such payments are considered administrative in nature and do not form part of the financial asset's fair value or the investor's capital contribution.

Net Assets Statement

g) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

j) Financial liabilities

A financial liability is recognised in the net asset statement on the date the fund becomes legally responsible for that liability. The fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

k) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS26 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits (Note 19).

l) Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from the Pension Fund (see Note 22). AVCs are paid to the AVC providers by employers, specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement from the AVC provider company showing the amount held in their account and the movements in year.

m) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

PF Note 4 - Critical judgements in applying accounting policies

Critical judgements are those decisions other than estimation uncertainty that have the most significant impact on the financial statements. They represent decisions about how the authority has applied an accounting policy to a particular transaction, rather than about how that transaction has been valued. There were no such critical judgements made during 2024-25.

PF Note 5 - Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different in the forthcoming year, as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Actuarial present value of promised retirement benefits	The calculation of a Local Government Pension Scheme (LGPS) Fund's liabilities is heavily reliant on a range of long-term financial and demographic assumptions. Should these assumptions prove inaccurate, the Fund's reported financial position and, consequently, its funding strategy could be materially affected. These assumptions include the discount rate, future inflation rates (both general and for pension increases), salary growth, and member longevity. Each of these factors plays a crucial role in estimating the present value of future pension payments. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	If the actual long-term investment returns are lower than the assumed discount rate (i.e., the discount rate was set too high), the Fund's liabilities will have been underestimated. This means the Fund would have insufficient assets to meet its future obligations, potentially leading to a higher deficit and requiring increased employer contributions in the future. Conversely, if the discount rate was set too low, liabilities would be overstated, which could mean current contribution rates are higher than strictly necessary. Similarly, underestimating longevity or future salary and pension increases would also lead to an understatement of liabilities, while overestimation would have the opposite effect. The sensitivity of the net Pension Fund liability to a change in assumptions can be measured. For example a 0.1% decrease in the discount rate assumption would result in an approximate increase of £16m in the Fund's pension liability; a one year increase in member life expectancy would increase the liability by approximately £36m and a 0.1% increase in the rate of salary increase would increase the liability by approximately £1m.

Unquoted investments	The assets held by the Pension Fund are managed by fund managers on a pooled basis. Some of these assets are unquoted and values are estimated by fund managers using comparable market data, indices and data from third parties, as well as projected revenue streams associated with the assets. Property, private debt and infrastructure funds do not have published prices, are not regularly traded and have many unobservable inputs feeding into their valuations and so are treated as level 3.	The potential impact of this uncertainty cannot be measured accurately. The total of level 3 funds held by the Pension Fund are valued at £179.1m, and the variation around this value is estimated to be +/- 10%, which equates to +/- £17.9m.
Legal and regulatory uncertainty	Beyond the core actuarial assumptions, the financial position of an LGPS Fund can also be significantly impacted by uncertainties surrounding legal judgments and evolving regulatory landscapes. The Fund may need to make provisions or assumptions about the potential outcomes of ongoing legal cases (such as McCloud or Goodwin) or anticipated changes in pension legislation and guidance. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	If a legal judgment results in a requirement to provide additional benefits or recalculate past service costs more extensively than initially assumed, the Fund's liabilities could see a substantial increase. This would place unexpected strain on the Fund's assets and potentially necessitate higher employer contribution rates to address the recognised shortfall. Conversely, if a feared regulatory change with a negative financial impact does not materialize, or its effect is less severe than anticipated, liabilities might have been overstated. While this scenario is less detrimental, it could mean that past funding decisions were overly cautious.

PF Note 6 - Events after the reporting period end

The unaudited Statement of Accounts was authorised for issue by the Strategic Director of Resources (S151 Officer) on 27 June 2025. At the date of authorisation the Council is not aware of any events that would require adjustment to these statements.

PF Note 7 - Contributions receivable

Employees' contributions are calculated on a sliding scale based on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make contributions determined by the Fund's actuary to maintain solvency of the Fund. The tables below show a breakdown of the total amount of employers' and employees' contributions.

By Category

2023/24		2024/25
£'000		£'000
(9,032)	Employees' contributions	(9,602)
	Employers' contributions	
(27,089)	Normal Contributions	(29,022)
(5,801)	Deficit Recovery Contributions	(4,696)
(179)	Augmentation contributions	(2,357)
(33,069)		(36,075)
(42,101)		(45,677)

By Authority

2023/24		2024/25
£'000		£'000
(24,147)	London Borough of Sutton	(26,646)
(16,829)	Scheduled bodies	(16,624)
(1,125)	Admitted bodies	(2,407)
(42,101)		(45,677)

PF Note 8 - Transfers in from other pension funds

2023/24		2024/25
£'000		£'000
(6,985)	Individual transfers	(15,570)
-	Group transfers	(12,500)
(6,985)		(28,070)

For the year ending 31 March 2025, an accrual of £12.5m was made due from Croydon Council for the bulk transfer of Idverde.

PF Note 9 - Benefits payable

The tables below show a breakdown of the total amount of benefits payable by category and by authority:

By Category

2023/24		2024/25
£'000		£'000
30,397	Pensions	33,558
3,582	Commutation and Lump sum retirement benefits	7,500
675	Lump sum death benefits	1,542
34,654		42,600

By Authority

2023/24		2024/25
£'000		£'000
29,309	London Borough of Sutton	35,032
4,605	Scheduled bodies	6,183
740	Admitted bodies	1,385
34,654		42,600

PF Note 10 - Payments to and on account of leavers

2023/24		2024/25
£'000		£'000
109	Refunds to members leaving service	124
-	Group transfers	-
3,276	Individual transfers	12,327
3,385		12,451

PF Note 11 - Management expenses

2023/24		2024/25
£'000		£'000
1,080	Administration Expenses	1,249
4,831	Investment Management Expenses	3,778
185	Oversight and Governance	267
6,096		5,294

PF Note 11a - Investment management expenses

Investment Management Expenses are further analysed below in line with CIPFA Guidance on Accounting for Management Costs in the LGPS. The figures below include management costs and embedded transaction costs deducted from the net asset value or from investment income.

2023/24		2024/25
£'000		£'000
4,757	Management Fees	3,210
(174)	Performance Fees	-
8	Custody Fees	15
240	Transaction Costs	553
4,831		3,778

PF Note 11b - External audit costs

2023/24		2024/25
£'000		£'000
-	2023/2024 & 2024/2025 Pension Fund Audit Fees to be Billed by KPMG *	99
-	2024/2025 Estimated Additional Pension Fund Audit Fees to be Billed by KPMG	12
77	2023/2024 Pension Fund Audit Fees Billed by KPMG	-
(8)	2022/2023 Additional Pension Fund Audit Fees Billed by Grant Thornton **	-
-	2021/2022 Additional Pension Fund Audit Fees Billed by Grant Thornton	32
69		143

* The 2024/25 Audit fees to be Billed by KPMG includes a scope fee variation of £11,040 relating to the 2023/24 Audit.

** The reversal of an accrual of £8k included in 2022/23 for additional audit fees to be billed by Grant Thornton relating to the 2022/23 audit is included in the 2023/24 Audit Fees figure. Grant Thornton have not billed for these fees during 2023/24 or 2024/25.

PF Note 12 - Investment income

2023/24		2024/25
£'000		£'000
	Pooled Investments:	
(2,939)	- Equities	(2,997)
(1,724)	- Property	(1,683)
(5,065)	- Multi Asset Credit	(6,775)
(821)	- Diversified Growth Funds	(412)
-	- Private Debt	-
(4,318)	- Infrastructure	(1,392)
(2,115)	Interest on Cash Deposits	(3,289)
(16,982)		(16,548)

PF Note 13 - Taxes on income

2023/24		2024/25
£'000		£'000
16	Withholding tax - pooled	12
16		12

PF Note 14 - Investments

2023/24	Investment Assets	2024/25
£'000		£'000
	Pooled Investment Vehicles:	
537,800	Equities	533,272
47,081	Fixed Income	71,885
57,077	Property	68,115
96,689	Multi Asset Credit	104,091
24,038	Diversified Growth Funds	-
64,607	Infrastructure	77,476
31,238	Private Debt	33,515
	Other Investment Balances:	
47,030	Cash deposits	73,427
59	Accrued income and recoverable taxes	68
3,304	Amounts receivable for sales of investments	-
908,923	Total Net Investment Assets	961,849

PF Note 14a - Analysis of Pooled Investment Vehicles

Pooled Investment Vehicles:

2024/25	ACS	Unit trusts	Unitised insurance policies	OEIC	SICAV	Limited Partnership	Total
	£'000	£'000	£'000	£'000	£'000		£'000
Equities	400,467	-	132,805	-	-	-	533,272
Fixed Income	-	-	71,885	-	-	-	71,885
Property	-	37,961	-	-	15,456	14,698	68,115
Multi Asset Credit	104,091	-	-	-	-	-	104,091
Diversified Growth Funds	-	-	-	-	-	-	-
Infrastructure	-	38,171	-	-	39,305	-	77,476
Private Debt	-	33,515	-	-	-	-	33,515
	504,558	109,647	204,690	-	54,761	14,698	888,354

Pooled Investment Vehicles:

2023/24	ACS	Unit trusts	Unitised insurance policies	OEIC	SICAV	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	385,153	-	152,647	-	-	537,800
Fixed Income	-	-	47,081	-	-	47,081
Property	-	41,002	-	-	16,075	57,077
Multi Asset Credit	31,678	-	-	65,011	-	96,689
Diversified Growth Funds	24,038	-	-	-	-	24,038
Infrastructure	-	27,234	-	-	37,373	64,607
Private Debt	-	31,238	-	-	-	31,238
	440,869	99,474	199,728	65,011	53,448	858,530

PF Note 14a - Analysis of Pooled Investment Vehicles (continued)

ACS - UK tax transparent collective investment scheme used by the LCIV.

Unit trust - an open-ended investment, where an unlimited number of investors can invest their money into a single fund, that's managed by a dedicated fund manager.

Unitised insurance policies - open-ended investments made available through life assurance companies.

OEIC - "Open-Ended Investment Company" that will issue (or redeem) shares on a regular basis in response to investor demand.

SICAV - "Société d'investissement à capital variable", similar to an OEIC but used in Europe.

Limited Partnership - A limited partnership is a specific type of business partnership that includes at least one 'general partner' and one 'limited partner.'

PF Note 14b - Reconciliation of movements in investments

2024/25	Value 31 March 2024	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2025
	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles:					
- Equities	537,800	2,998	(30,977)	23,451	533,272
- Fixed Income	47,081	30,000	(3)	(5,193)	71,885
- Property	57,077	15,973	(5,792)	857	68,115
- Multi Asset Credit	96,689	75,633	(69,507)	1,276	104,091
- Diversified Growth Funds	24,038	412	(25,153)	703	-
- Infrastructure	64,607	15,131	(3,656)	1,394	77,476
- Private Debt	31,238	-	(234)	2,511	33,515
Sub-total Investments	858,530	140,147	(135,322)	24,999	888,354
Other Investment Balances:					
Cash deposits	47,030				73,427
Trade receivables / payables	3,304				-
Accrued income and recoverable taxes	59				68
Net Investment Assets	908,923			24,999	961,849

2023/24	Value 31 March 2023	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2024
	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles:					
- Equities	441,963	155,458	(153,360)	93,739	537,800
- Fixed Income	50,531	-	(2)	(3,448)	47,081
- Property	49,712	12,503	(1,716)	(3,422)	57,077
- Multi Asset Credit	86,140	5,064	(368)	5,853	96,689
- Diversified Growth Funds	95,660	822	(72,625)	181	24,038
- Infrastructure	55,808	13,458	(894)	(3,765)	64,607
- Private Debt	27,533	1,575	(257)	2,387	31,238
Sub-total Investments	807,347	188,880	(229,222)	91,525	858,530
Other Investment Balances:					
Cash deposits	43				47,030
Trade receivables / payables	-				3,304
Accrued income and recoverable taxes	71				59
Net Investment Assets	807,461			91,525	908,923

PF Note 14c - Investments analysed by fund manager

The market value of the investment assets under the management of each fund manager as at 31 March 2025 is shown below.

31 March 2024			31 March 2025		
Market Value	% of total	Fund Manager	Market Value	% of total	
£'000	%		£'000	%	
Investments managed by London Collective Investment Vehicle					
24,038	2.8%	LCIV Diversified Growth Fund (Baillie Gifford)	-	0.0%	
130,377	15.2%	LCIV Global Equity Fund (Newton)	136,270	15.3%	
130,096	15.2%	LCIV Sustainable Equity Fund (RBC)	131,976	14.9%	
31,678	3.7%	LCIV Multi Asset Credit Fund (CQS, Pimco)	104,091	11.7%	
31,238	3.6%	LCIV Private Debt Fund (Pemberton, Churchill)	33,515	3.8%	
27,234	3.2%	LCIV Renewable Infrastructure (BlackRock, Stonepeak, Quinbrook, and Foresight)	38,171	4.3%	
124,680	14.5%	LCIV Passive Equity Progressive Paris Aligned Fund (State Street Global Advisors Limited)	132,221	14.9%	
11,944	1.4%	LCIV The London Fund (LPPI)	14,698	1.7%	
100	0.0%	LCIV UK Housing Fund (CBRE)	12,945	1.5%	
152,647	17.8%	Legal & General - Future World Global Equity Index Fund	132,805	14.9%	
47,081	5.5%	Legal & General Over 5 Year Index Linked Gilts Fund	71,885	8.1%	
711,113	82.8%		808,577	91.1%	
Investments managed outside of London Collective Investment Vehicle					
65,011	7.6%	M&G Alpha Opportunities Fund	-	0.0%	
9,737	1.1%	LaSalle Investors UK Real Estate Fund of Funds	4,463	0.5%	
19,221	2.2%	BlackRock UK Property Fund	20,553	2.3%	
16,075	1.9%	Invesco Real Estate UK Residential Fund SCSp	15,456	1.7%	
37,373	4.4%	Partners Group Direct & Global - various	39,305	4.4%	
147,417	17.2%		79,777	8.9%	
858,530	100.0%	Total	888,354	100.0%	

PF Note 15 - Fair value – basis of valuation

The basis of the valuation of each class of investment asset is in accordance with the guidance contained in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). Asset and liability valuations are classified into three levels, according to the quality and reliability of information used to determine fair values. The investment assets of the Pension Fund are classed, as set out in the table below.

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. Cash and short term investment debtors and creditors are classified as level 1.

Level 2

Quoted prices are not available and valuation techniques use inputs that are based significantly on observable market data. Investment assets classified at level 2 are those where quoted market prices are not available; for example, where an investment is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

At least one input that could have a significant effect on valuation is not based on observable market data. Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data, and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity and infrastructure investments. Assurances over the valuations are gained from the independent audit of the accounts.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments - equities	Level 1	Recognised at market value	Not required	Not required
Market quoted investments - pooled equities and bonds	Level 1	Published bid market price on final day of the accounting period	Not required	Not required
Pooled investments - equities and bonds	Level 2	Closing bid price where bid price published. Closing single price where single price published	NAV based pricing set on a forward pricing basis. Evaluated price feeds	Not required
Pooled property investments where regular trading does not take place	Level 3	Fair value as determined by independent valuers	NAV based pricing set on a forward pricing basis. Unobservable inputs include rental income and gross yield	Valuations of underlying properties could be affected by a range of variables, including changes to estimated rental growth, vacancy levels and construction costs
Pooled infrastructure investments	Level 3	EBITDA multiples, discounted cashflows, market comparable companies, replacement costs and adjusted net asset values	Discount factors, recent transaction prices, reported net asset values and fair value adjustments	Valuations could be affected by a range of variables, such as changes to expected cashflows, or the difference between audited and unaudited accounts
Pooled private debt investments	Level 3	Valued by underlying investment managers	NAV based pricing with many unobservable inputs	Valuations could be affected by a range of variables, such as the quality of underlying collateral, or varying liquidity

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2025 and 31 March 2024.

2024/25	Potential variation in fair value	Value at 31 March 2025	Potential value on increase	Potential value on decrease
	+/-	£'000	£'000	£'000
Pooled Investment Vehicles:				
- Property	10%	68,115	74,926	61,303
- Infrastructure	10%	77,476	85,224	69,728
- Private Debt	10%	33,515	36,867	30,164
Total		179,106	197,017	161,195

2023/24	Potential variation in fair value	Value at 31 March 2024	Potential value on increase	Potential value on decrease
	+/-	£'000	£'000	£'000
Pooled Investment Vehicles:				
- Property	10%	57,077	62,785	51,369
- Infrastructure	10%	64,607	71,068	58,146
- Private Debt	10%	31,239	34,363	28,115
Total		152,923	168,216	137,630

All movements in the assessed valuation range derive from changes in the net asset value of the underlying property, infrastructure, private debt and real estate assets. The range in potential movement of 10% is caused by how this value is measured.

PF Note 15a - Fair value hierarchy

31 March 2024					31 March 2025			
Quoted Market Price Level 1 £'000	Using Observabl e Inputs Level 2 £'000	With Significant Unobservabl e Inputs Level 3 £'000	Total £'000		Quoted Market Price Level 1 £'000	Using Observabl e Inputs Level 2 £'000	With Significant Unobservabl e Inputs Level 3 £'000	Total £'000
				Pooled Investment Vehicles:				
385,153	152,647		537,800	Equities	400,467	132,805		533,272
	47,081		47,081	Fixed Income		71,885		71,885
		57,077	57,077	Property			68,115	68,115
	96,689		96,689	Multi Asset Credit		104,091		104,091
	24,038		24,038	Diversified Growth Funds		-		-
		64,607	64,607	Infrastructure			77,476	77,476
		31,238	31,238	Private Debt			33,515	33,515
47,030			47,030	Cash	73,427			73,427
432,183	320,455	152,922	905,560	Financial Assets at fair value through profit and loss	473,894	308,781	179,106	961,781

PF Note 15b: Reconciliation of fair value measurements within Level 3

2024/25	Value 31 March 2024	Transfers into Level 3	Transfers out of Level 3	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2025
	£'000			£'000	£'000	£'000	£'000
Pooled Investment							
Vehicles:							
- Property	57,077	-	-	15,973	(5,792)	857	68,115
- Infrastructure	64,607	-	-	15,131	(3,656)	1,394	77,476
- Private Debt	31,238	-	-	-	(234)	2,511	33,515
Total	152,922	-	-	31,104	(9,682)	4,762	179,106

2023/24	Value 31 March 2023	Transfers into Level 3	Transfers out of Level 3	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2024
	£'000			£'000	£'000	£'000	£'000
Pooled Investment							
Vehicles:							
- Property	49,712	-	-	12,504	(1,716)	(3,423)	57,077
- Infrastructure	55,808	-	-	13,458	(894)	(3,765)	64,607
- Private Debt	27,533	-	-	1,574	(257)	2,388	31,238
Total	133,053	-	-	27,536	(2,867)	(4,800)	152,922

PF Note 16a - Classification of financial instruments

2023/24			2024/25		
Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
<u>Financial Assets</u>					
Pooled Investment Vehicles:					
537,800			533,272		
47,081			71,885		
57,077			68,115		
96,689			104,091		
24,038			-		
64,607			77,476		
31,238			33,515		
	60,960			75,431	
	3,304			-	
	3,226			16,870	
858,530	67,490	-	888,354	92,301	-
Long Term Assets					
	150			150	
858,530	67,640	-	888,354	92,451	-
Financial Liabilities					
-	-	(2,151)	-	-	(1,849)
-	-	(2,151)	-	-	(1,849)
858,530	67,640	(2,151)	888,354	92,451	(1,849)

PF Note 16b - Net gains and losses on financial instruments

2023/24		2024/25
£'000		£'000
	Financial Assets	
91,525	Designated at fair value through profit and loss	24,999
	Designated at amortised cost	-
91,525		24,999

PF Note 17 - Nature and extent of risks arising from financial instrument

Key risks

The Pension Fund's activities expose it to a variety of financial risks:

Market risk – the possibility that financial loss might arise for the Pension Fund as a result of changes in such measures as interest rates and stock market movements.

Credit risk – the possibility that other parties might fail to pay amounts due to the Pension Fund.

Liquidity risk – the possibility that the Pension Fund might not have funds available to meet its commitments to make payments.

Overall Procedures for Managing Risk

The Pension Fund's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2013 and the associated regulations. These regulations set out permissible financial instruments, require the Administering Authority to maintain and invest on behalf of the Pension Fund in accordance with its investment principles, to take professional advice, to review investment performance and to operate a separate Pension Fund bank account. Overall these procedures require the Administering Authority to manage Pension Fund risk by maintaining and investing in accordance with:

Investment Strategy Statement;
Funding Strategy Statement;
Statement of Governance Policy;
Governance Compliance Statement.

The Pension Fund Investment Strategy is reviewed at least triennially following actuarial valuation by the Pension Fund Committee, who monitor investment performance and compliance quarterly, including the internal control arrangements of external fund managers and the custodian

a) Market risk

Market risk is the risk of loss from fluctuations in equity, bond and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset classes, geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmarking analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short, is unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund's Investment Strategy.

Other price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. ‘Riskier’ assets such as equities will display greater potential volatility than bonds, as an example. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. Had the market price of the Fund’s investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as shown in the table below.

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund’s interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund’s risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

Interest rate – risk sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets, but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances, but they will affect the interest income received on those balances.

Assets exposed to interest rate risk

2024/25	Asset Values at 31 March 2025	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000
Cash	75,431	75,431	75,431
Fixed interest bonds	47,465	46,113	48,818
Variable rate bonds	18,232	17,713	18,752
Total	141,128	139,257	143,001

2024/25	Interest receivable 31 March 2025	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000
Cash	(3,289)	(3,321)	(3,256)
Fixed interest bonds	2,182	2,182	2,182
Variable rate bonds	2,604	3,001	2,949
Total	1,497	1,862	1,875

2023/24	Asset Values at 31 March 2024	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000
Cash	60,960	60,960	60,960
Fixed interest bonds	65,484	63,585	67,383
Variable rate bonds	31,205	30,352	32,058
Total	157,649	154,897	160,401

2023/24	Interest receivable 31 March 2024	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000
Cash	(2,115)	(2,136)	(2,094)
Fixed interest bonds	3,259	3,259	3,259
Variable rate bonds	1,806	1,932	1,896
Total	2,950	3,055	3,061

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency risk – sensitivity analysis

Following analysis of historical data, the council considers the likely volatility associated with foreign exchange rate movements to be 10%. This analysis assumes that all other variables, in particular interest rates, remain constant.

The following table summarises the Fund's currency exposure as at 31 March 2025, along with the impact that a 10% strengthening / weakening of the pound against the various currencies in which the Fund holds investments would have on the values.

The value on increase and value on decrease for an individual currency exposure is calculated with reference to that currency's volatility, relative to GBP, over the three years to March 2025. Given that currency changes are not necessarily correlated it is not appropriate to sum the outputs from each currency. In calculating the increase and decrease at a total fund level, it is necessary to establish the change in value of the aggregate of currencies held. It is this change that is applied to the overall currency exposure.

Value as at 31/03/2024	Value on 10% price increase	Value on 10% price decrease	Currency Exposure - Asset Type	Value as at 31/03/2025	Value on 10% price increase	Value on 10% price decrease
£'000	£'000	£'000		£'000	£'000	£'000
37,373	41,110	33,635	Overseas infrastructure	39,305	43,235	35,374
37,373	41,110	33,635	Total assets available to pay benefits	39,305	43,235	35,374

Other Price Risk -Sensitivity Analysis

Value as at 31/03/2024	Change +/-	Value on increase	Value on decrease	Asset Type	Value as at 31/03/2025	Change +/-	Value on increase	Value on decrease
£'000	%	£'000	£'000		£'000	%	£'000	£'000
537,800	18.4	636,755	438,845	Equities	533,272	18.7	632,994	433,550
47,081	10.1	51,836	42,326	Fixed income	71,885	10.2	79,217	64,552
57,077	14.8	65,525	48,630	Property	68,115	12.1	76,357	59,873
96,689	10.9	107,228	86,150	Multi Asset Credit	104,091	9.4	113,875	94,306
24,038	10.6	26,586	21,490	Diversified Growth Funds	-	10.0	-	-
64,607	14.4	73,911	55,304	Infrastructure	77,476	10.3	85,457	69,496
31,238	10.6	34,549	27,927	Private Debt	33,515	10.4	37,001	30,030
				Cash		0.7		
858,530		996,390	720,672	Total	888,354		1,024,901	751,807

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The Pension Fund has selected bond managers who have an investment strategy that requires investment only in high investment grade and collateralised products and who use research and market knowledge to minimise exposure to credit risk. The Pension Fund uses a custodian to ensure that all money due is paid in full and on time. Internally invested cash is placed in an interest bearing account with the Council's bankers.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. This will particularly be the case to meet the pensioner payroll costs and also cash to meet investment commitments. The Pension Fund currently remains cash flow positive with contributions exceeding payable pensions, though this is regularly monitored. The Council has immediate access to a proportion of its Pension Fund cash holdings, as these are held in an instant access interest bearing account maintained by Council officers. Surplus funds are invested externally with fund managers. In the event of a funding shortfall, the LGPS regulations permit the administering authority to borrow on behalf of the Pension Fund for up to 90 days. If required, funds can also be called back from investment managers to meet liabilities.

PF Note 18 - Funding arrangements

Description of Funding Policy

Rates of contributions paid by the participating Employers during 2024/25 were based on the actuarial valuation carried out as at 31 March 2022 by the Fund's actuary, Hymans Robertson. The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated April 2023. In summary, the key funding principles are as follows:

- Take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants;
- Use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term);
- Where appropriate, ensure stable employer contribution rates;
- Reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy; and
- Use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of three years. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £854 million, were sufficient to meet 101% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £6 million. The following table shows a summary of the results of the 2022 valuation;

Past Service Position	31/03/2022
	£m
Past Service Liabilities	(848)
Market Value of Assets	854
Surplus (Deficit)	6
Funding Level	101%

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value. The valuation was undertaken using principal assumptions as follows;

Financial Assumptions	31/03/2022
	Nominal
Discount Rate	4.3%
Salary Increases	2.7%
Pension Increases	2.7%

Assumed life expectancies at age 65 is as follows

Demographic Assumptions	31/03/2022
Male pensioners	22.1
Male non-pensioners	23.0
Female pensioners	24.8
Female non-pensioners	26.0

The full financial assumptions adopted for the 2022 valuation are contained within the 2022 valuation report and Funding Strategy Statement which are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. Asset performance improved in 2024 and early 2025; however the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this.

High levels of inflation in the UK (compared to recent experience) have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025.

There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025, and will be finalised by 31 March 2026. The FSS will also be reviewed at that time, and a revised version will come into effect from 1 April 2026.

PF Note 19 - Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities on an IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, but taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18). The actuary has also used valued ill health and death benefits in line with IAS 19.

31 March 2024		31 March 2025	
£'m		£'m	
(908)	Actuarial present value of promised retirement benefits	(787)	
924	Net fund assets available to fund benefits	979	
16	Net Asset/Liability	192	

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation (see Note 18) because IAS 19 stipulates a discount rate, rather than a rate which reflects market rates.

Other key assumptions used are set out in the table below:

2023/24		2024/25	
%		%	
2.8	Pension increase rate (CPI)	2.8	
2.8	Salary increase rate	2.8	
4.8	Discount rate	5.8	

PF Note 20 - Current assets

31 March 2024		31 March 2025	
£'000		£'000	
2,716	Contributions	2,943	
510	Other debtors	13,927	
13,871	Cash at Bank	1,936	
17,097	Total Current Assets	18,806	

PF Note 21 - Current liabilities

31 March 2024		31 March 2025	
£'000		£'000	
-	Transfers out	-	
(909)	Benefits Payable	(211)	
(1,242)	Current payables	(1,638)	
(2,151)	Total Current Liabilities	(1,849)	

PF Note 22 - Additional voluntary contributions

A number of active Fund members have elected to pay additional voluntary contributions (AVCs) to increase their personal benefits. Regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires that these are not paid into the Pension Fund.

The Council's approved AVC providers are Clerical Medical and Utmost (formerly Equitable Life). These are money purchase arrangements reported annually on 31 March. Total contributions paid by members in Clerical Medical during 2024/25 were £257k (£192k in 2023/24), as below. There are no active contributors with Utmost.

31 March 2024		31 March 2025
£'000		£'000
192	Clerical Medical	257
192		257

At 31 March 2025, the total estimated value of the AVC funds with Clerical Medical and Utmost was £1,138k (£1,078k at 31 March 2024).

PF Note 23 - Related party transactions

The Council is a related party to the Fund and in accordance with the regulations the Council's expenses in administering the Scheme are charged to the Fund. The amount charged by the Council for 2024/25 was £1,237,912 (£1,102,752 in 2023/24)

One of the Councillors voting on the Pension Committee was a member of the Pension Fund at 31 March 2025.

The key management personnel for the Pension Fund are the same as for the Council as a whole. Their costs have been reasonably apportioned between the Pension Fund Accounts and the Authority's Accounts, and are within scheme administration expenses as above. Extra disclosure can be seen in the Authority's accounts under the notes related to Senior Officers remuneration and Related Party Transactions.

PF Note 23a - Key Management Personnel Remuneration

The key management personnel for the Pension Fund are the Section 151 Officer, the Director of Finance, the Head Pensions Administration and the Head of Pension Investments at London Borough of Sutton. Their costs have been reasonably apportioned between the Pension Fund Accounts and the Authority's Accounts and are given in the table below. The short-term benefits shown below are also included within administration expenses in Note 11. The post-employment benefits shown below are included in the calculation of the actuarial fair value of promised retirement benefits in Note 19.

31 March 2024		31 March 2025
£'000		£'000
126	Short-term benefits	106
202	Post-employment benefits	135
328		241

PF Note 24 - Contingent liabilities and contractual commitments

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. On 2 September 2025, the Government published draft amendments to the Pensions Scheme Bill which would give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historical benefit changes met the necessary standards. The draft legislation will need to be agreed by both Houses of Parliament before it passes into law.

It was not previously clear whether the Virgin Media ruling would apply to the LGPS but, following the publication of draft legislation, we do not now expect the ruling to give rise to any additional liabilities.

There are no outstanding contractual commitments and no material relating non-adjusting events occurring subsequent to the period end.

Outstanding capital commitments (investments) at 31 March 2025 were £95.5m (127.8m at 31 March 2024). These commitments relate to outstanding call payments due on the private debt, property and infrastructure funds within the portfolio. The amounts "called" by these funds are irregular in both size and timing over a number of years from the date of each original commitment.

PF Note 25 - Events after the Balance Sheet date

At the end of December 2025, prior to the conclusion of the audit, one of the Fund's property investment managers, Invesco Real Estate UK Residential Fund, entered into voluntary liquidation. Additionally, it came to light that significant remedial works are required at one of the properties in the fund's portfolio. This has resulted in the net asset value of the fund having been revised downwards by £2.127m.

13. GOVERNANCE COMPLIANCE STATEMENT

This document confirms the Fund's position regarding its [Governance Compliance Statement](#) for the year ended 31 March 2025. As the administering authority, the London Borough of Sutton Council is required to assess the Fund's governance arrangements against a set of best-practice principles issued by the Scheme Advisory Board for the LGPS.

The requirement to publish this statement is set out in Regulation 55(1)(b) of the Local Government Pension Scheme Regulations 2013. The statement details the Fund's level of compliance with each principle and provides explanations where appropriate. Should you have any questions about the Fund's governance, please contact skemployers@sutton.gov.uk.

14. INVESTMENT STRATEGY STATEMENT

This is the [Investment Strategy Statement](#) ("ISS") of the London Borough of Sutton Pension Fund ("the Fund"), which is administered by Sutton Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations").

The ISS has been prepared by the Fund's Pension Committee ("the Committee") having taken advice from the Fund's investment adviser, Mercer. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was previously approved by the Committee on 13 December 2022, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons as it considers appropriate.

The Committee seeks to invest in accordance with the ISS any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy.

15. FUNDING STRATEGY STATEMENT

This document sets out the [Funding Strategy Statement](#) (FSS) for the London Borough of Sutton Pension Fund. The London Borough of Sutton Pension Fund is administered by Sutton Council, known as the administering authority. Sutton Council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2023. There's a regulatory requirement for Sutton Council to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact skemployers@sutton.gov.uk.

16. PENSIONS ADMINISTRATION STRATEGY

This document provides a summary of the [Pensions Administration Strategy](#) for the London Borough of Sutton Pension Fund. The Strategy is maintained by the London Borough of Sutton Council as the administering authority, and it outlines our policies and performance standards for the effective and efficient administration of the Fund. This includes our approach to communicating with members and employers, managing data, and processing member benefits.

The requirement to prepare and publish a Pensions Administration Strategy is set out in Regulation 59 of the Local Government Pension Scheme Regulations 2013. The current Strategy was reviewed and approved by the Pensions Committee in July 2024.

If you have any queries about the Fund's administration, please contact skemployers@sutton.gov.uk.

17. DISCLAIMER

For a screen-reader-friendly or text-only version of this document, please email skemployers@sutton.gov.uk. This version removes images and complex formatting for easier navigation with assistive technologies.